


1/14/2012

ALBEMARLE COUNTY SERVICE AUTHORITY

AGENDA ITEM EXECUTIVE SUMMARY

<p><b>AGENDA TITLE:</b> Introduction – End of Fiscal Year 2011 Financial Information</p> <p><b>STAFF CONTACT(S)/PREPARER:</b> Lisa L. Breeden, Finance Director</p> 	<p><b>AGENDA DATE:</b> January 19, 2012</p> <p><b>ACTION:</b> <input checked="" type="checkbox"/> <b>INFORMATION:</b> <input type="checkbox"/></p> <p><b>CONSENT AGENDA:</b> <b>ACTION:</b> <input type="checkbox"/> <b>INFORMATION:</b> <input type="checkbox"/></p> <p><b>ATTACHMENTS:</b> (YES) (NO)</p>
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**BACKGROUND:**

The Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2011 is enclosed for your review and acceptance.

**DISCUSSION:**

- ◆ There will be a PowerPoint presentation in review of fiscal year 2011 during Thursday's meeting.
- ◆ Some of the financial highlights of the year include:
  - At the end of fiscal year 2011, the assets of the Authority exceeded its liabilities by \$116,140,654 (*net assets*). Of this amount, \$15,127,190 (*unrestricted net assets*) may be used to meet the Authority's ongoing financial obligations.
  - The Authority's total net assets increased by \$4,620,466. This increase was marked by the capitalization of several capital improvement projects and a number of developer contributions.
  - Driven primarily by the issuance of Water and Sewer System Revenue Bonds, Series 2010 (Taxable – Build America Bond) and an increase in the liability associated with unearned connection fees, the Authority's total liabilities increased by \$13,012,093.
  - More than \$6.1 million was spent on new and existing capital projects. Of that total, \$322,559 was spent for permanent right-of-way easements in fiscal year 2011.

**BUDGET IMPACT:** As planned for fiscal year 2011

**BOARD ACTION REQUESTED:**

In order to close the books on fiscal year 2011, the following transfers are recommended:

1. Transfer \$391,123 from the Water and Sewer Revenue fund to the Operating Reserve fund,
2. Transfer \$628,965 from the Water and Sewer Revenue fund to the 3R Reserve fund, and
3. Transfer \$10,000 from the Water and Sewer Revenue fund to the Unemployment fund.

**ATTACHMENTS:**

1. Comprehensive Annual Financial Report – FY 2011
2. Revenue and Expense Summary
3. Repair, Replacement, and Rehabilitation (3R) Report

	Fiscal Year 2011						Fiscal Year 2010					
	Budget	Current Month's Revenues, Expenses, and % of Budget	Year-to-Date Revenues, Expenses, and % of Budget	Projected Year-to-Date 100.00% of Budget			Budget	Month of June Revenues, Expenses, and % of Budget	Year-to-Date Revenues, Expenses, and % of Budget			
<b>Operating Revenue</b>												
<i>Water &amp; Sewer Volume and Service Charges</i>												
Urban		\$1,576,617	\$18,149,566				\$1,588,863	\$17,179,859				
Crozet		\$171,535	\$1,875,110				\$150,459	\$1,678,839				
Scottsville		\$16,875	\$178,824				\$19,074	\$229,514				
<b>Total Operating Revenue</b>	<b>\$20,292,006</b>	<b>\$1,765,027</b>	<b>8.70%</b>	<b>\$20,203,499</b>	<b>99.56%</b>	<b>\$20,292,006</b>	<b>\$20,353,922</b>	<b>\$1,758,396</b>	<b>7.17%</b>	<b>\$19,088,212</b>	<b>89.25%</b>	
<b>Non-Operating Revenue</b>												
<i>System Connection Charges:</i>												
<i>Water Connection Charges</i>												
Urban		\$2,849	\$43,562				\$5,539	\$53,104				
Crozet		\$847	\$20,543				\$1,815	\$14,876				
Scottsville		\$0	\$0				\$0	\$121				
<b>Subtotal</b>	<b>\$65,500</b>	<b>\$3,696</b>	<b>5.64%</b>	<b>\$64,105</b>	<b>97.87%</b>	<b>\$65,500</b>	<b>\$90,500</b>	<b>\$7,354</b>	<b>8.13%</b>	<b>\$68,101</b>	<b>75.25%</b>	
<i>Sewer Connection Charges</i>												
Urban		\$381	\$2,578				\$0	\$21,475				
Crozet		\$0	\$3,186				\$1,290	\$2,150				
Scottsville		\$0	\$0				\$0	\$0				
<b>Subtotal</b>	<b>\$3,700</b>	<b>\$381</b>	<b>10.30%</b>	<b>\$5,764</b>	<b>155.78%</b>	<b>\$3,700</b>	<b>\$35,700</b>	<b>\$1,290</b>	<b>3.61%</b>	<b>\$23,625</b>	<b>66.18%</b>	
<i>Customer Contributions (System Development &amp; Rivanna Capacity Fees)</i>												
Water	\$1,135,184	\$177,660	\$1,452,608			\$1,014,645	\$193,910	\$1,897,954				
Sewer	\$1,119,834	\$194,016	\$1,304,189			\$1,208,225	\$233,008	\$1,762,772				
<b>Subtotal</b>	<b>\$2,255,018</b>	<b>\$371,676</b>	<b>16.48%</b>	<b>\$2,756,797</b>	<b>122.25%</b>	<b>\$2,255,018</b>	<b>\$1,701,130</b>	<b>\$426,919</b>	<b>25.10%</b>	<b>\$3,660,726</b>	<b>215.19%</b>	
<b>Total System Connection Charges</b>	<b>\$2,324,218</b>	<b>\$375,753</b>	<b>16.17%</b>	<b>\$2,826,666</b>	<b>121.62%</b>	<b>\$2,324,218</b>	<b>\$1,827,330</b>	<b>\$435,563</b>	<b>23.84%</b>	<b>\$3,752,451</b>	<b>205.35%</b>	
<i>Buck Mountain Surcharge</i>		\$72,400	\$3,800	\$35,200	48.62%	\$72,400	\$72,400	\$7,000	9.67%	\$62,500	86.33%	
<i>Interest</i>		\$81,525	\$26,222	\$52,937	64.93%	\$81,525	\$274,000	\$126,049	46.00%	\$219,634	80.16%	
<i>Miscellaneous</i>		\$507,950	\$58,198	\$644,196	126.82%	\$507,950	\$456,500	\$45,613	9.99%	\$468,482	102.62%	
<b>Total Non-Operating Revenue</b>	<b>\$2,986,093</b>	<b>\$463,973</b>	<b>15.54%</b>	<b>\$3,558,999</b>	<b>119.19%</b>	<b>\$2,986,093</b>	<b>\$2,630,230</b>	<b>\$614,224</b>	<b>23.35%</b>	<b>\$4,503,068</b>	<b>171.20%</b>	
<b>Total Operating &amp; Non-Operating Revenue</b>	<b>\$23,278,099</b>	<b>\$2,229,001</b>	<b>9.58%</b>	<b>\$23,762,499</b>	<b>102.08%</b>	<b>\$23,278,099</b>	<b>\$22,984,152</b>	<b>\$2,372,620</b>	<b>10.32%</b>	<b>\$23,591,280</b>	<b>102.64%</b>	
<b>Operating Expenses</b>												
<i>RWSA - Purchase of Water</i>	<b>\$7,089,833</b>	\$267,137	3.77%	\$7,131,559	100.59%	\$7,089,833	\$6,260,146	\$1,122,786	17.94%	\$6,174,451	98.63%	
<i>RWSA - Sewer Treatment</i>	\$4,878,593	\$956,533	19.61%	\$5,264,115	107.90%	\$4,878,593	\$5,141,698	\$835,034	16.24%	\$5,974,752	116.20%	
<i>Administration</i>	\$1,501,380	\$144,670	9.64%	\$1,294,078	86.19%	\$1,501,380	\$1,371,177	\$123,899	9.04%	\$1,206,233	87.97%	
<i>Finance</i>	\$1,374,470	\$159,940	11.64%	\$1,261,830	91.80%	\$1,374,470	\$1,330,000	\$107,953	8.12%	\$1,216,541	91.47%	
<i>Engineering</i>	\$1,295,727	\$103,961	8.02%	\$1,249,237	96.41%	\$1,295,727	\$1,275,635	\$136,098	10.67%	\$1,246,435	97.71%	
<i>Maintenance</i>	\$2,392,428	\$227,179	9.50%	\$1,978,382	82.69%	\$2,392,428	\$2,256,158	\$213,470	9.46%	\$1,975,028	87.54%	
<i>Operating Reserve</i>	\$355,826	\$355,826	0.00%	\$391,123	0.00%	\$355,826	\$0	\$0	0.00%	\$576,103	n/a	
<b>Total Operating Expenses</b>	<b>\$18,888,257</b>	<b>\$2,215,249</b>	<b>11.73%</b>	<b>\$18,570,325</b>	<b>98.32%</b>	<b>\$18,888,257</b>	<b>\$17,634,814</b>	<b>\$2,539,240</b>	<b>14.40%</b>	<b>\$18,369,542</b>	<b>104.17%</b>	
<b>Non-Operating Expenses</b>												
<i>800 Code Equipment Expenses</i>	\$83,000	\$26,705	32.17%	\$34,220	41.23%	\$83,000	\$88,300	\$44,500	50.40%	\$53,532	60.63%	
<i>Prior Year Expenses/Reappropriations</i>	(\$26,898)	\$0	0.00%	(\$18,325)	0.00%	(\$26,898)	(\$20,845)	\$0	0.00%	(\$20,040)	96.14%	
<i>Repair/Replacement Reserves</i>	\$377,216	\$628,965	166.74%	\$628,965	166.74%	\$377,216	\$123,574	\$0	0.00%	\$1,560,157	n/a	
<i>Buck Mountain Surcharge Expense</i>	\$72,400	\$14,800	20.44%	\$35,200	48.62%	\$72,400	\$72,400	\$29,600	40.88%	\$62,500	86.33%	
<i>Existing Debt Service</i>	\$369,197	\$0	0.00%	\$369,197	100.00%	\$369,197	\$372,700	\$27,867	7.48%	\$372,700	100.00%	
<i>Projected Debt Service</i>	\$121,138	\$191,611	158.18%	\$44,218	36.50%	\$121,138	\$210,637	\$0	0.00%	\$0	0.00%	
<i>Transfer for Capital Expenses</i>	\$4,098,700	\$747,610	18.24%	\$4,098,700	100.00%	\$4,098,700	\$4,502,572	\$682,041	15.15%	\$3,192,889	70.91%	
<b>Total Non-Operating Expenses</b>	<b>\$5,094,753</b>	<b>\$1,609,690</b>	<b>31.60%</b>	<b>\$5,192,175</b>	<b>101.91%</b>	<b>\$5,094,753</b>	<b>\$5,349,338</b>	<b>\$784,008</b>	<b>14.66%</b>	<b>\$5,221,738</b>	<b>97.61%</b>	
<b>Total Operating &amp; Non-Operating Expenses</b>	<b>\$23,983,010</b>	<b>\$3,824,939</b>	<b>15.95%</b>	<b>\$23,762,499</b>	<b>99.08%</b>	<b>\$23,983,010</b>	<b>\$22,984,152</b>	<b>\$3,323,248</b>	<b>14.46%</b>	<b>\$23,591,280</b>	<b>102.64%</b>	
<b>(Deficit)</b>	<b>(\$704,911)</b>	<b>(\$1,595,938)</b>		<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>(\$950,628)</b>		<b>(\$1)</b>		
		<b>Dam Design</b>										
<b>Capital Improvements Funding</b>												
<i>Transfer from Operating &amp; Non-Operating Revenues</i>	\$4,098,700	\$747,610	18.24%	\$4,098,700	100.00%	\$4,098,700	\$4,502,572	\$682,041	15.15%	\$3,192,889	70.91%	
<i>Transfer from 3R Reserves</i>	\$1,925,000	\$134,504	6.99%	\$134,504	6.99%	\$1,925,000	\$2,490,678	\$0	0.00%	\$0	0.00%	
<i>Use of Bond Funds</i>	\$9,650,000	\$852,988	9%	\$1,902,140	19.71%	\$9,650,000	\$5,000,000	\$0	0.00%	\$0	0.00%	
<b>Total Capital Improvements Funding</b>	<b>\$15,673,700</b>	<b>\$1,600,598</b>	<b>10.21%</b>	<b>\$6,135,344</b>	<b>39.14%</b>	<b>\$15,673,700</b>	<b>\$11,993,250</b>	<b>\$682,041</b>	<b>5.69%</b>	<b>\$3,192,889</b>	<b>26.62%</b>	
<b>Capital Improvements Expenses</b>												
<i>Water &amp; Wastewater Capital Improvements</i>	<b>\$15,673,700</b>	<b>\$1,600,598</b>	<b>10.21%</b>	<b>\$6,135,344</b>	<b>39.14%</b>	<b>\$15,673,700</b>	<b>\$11,993,250</b>	<b>\$682,041</b>	<b>5.69%</b>	<b>\$3,192,889</b>	<b>26.62%</b>	
<b>Capital Improvements Surplus (Deficit)</b>	<b>\$0</b>	<b>\$0</b>		<b>\$0</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$0</b>		

Acct. #	Capital Project Name	Balances at 6/30/10	Current Expenses	Year-to-Date Expenses	Close Outs	*Acquisition		Expenses to Date	Budget Appropriation	Unexpended/ (Over-expended) Appropriation
						Current Balances	and Use of Easements			
302000	Facility Imp.-Maint. Shop/Main Office	\$29,626	\$0	\$39,734		\$69,360		\$69,360	\$135,900	\$66,540
303000	ACSA Maintenance Yd Imp.	\$33,995	\$0	\$0	(\$33,995)	\$0		\$0	\$0	\$0
304000	ACSA Office Renovations	\$699,495	\$0	\$723		\$700,218		\$700,218	\$737,500	\$37,282
308000	Scottsville Streetscape Project	\$1,236	\$12,323	\$13,800		\$15,036		\$15,036	\$82,000	\$66,964
309000	Key West Water Main Replacement	\$0	\$0	\$3,409		\$3,409		\$3,409	\$5,200	\$1,791
310000	Shopper's World Water Main Relocation	\$0	\$11,230	\$24,905		\$24,905		\$24,905	\$31,800	\$6,895
311000	St.George Ave/Buck Rd W Main Repl.	\$74,748	\$4,750	\$89,022		\$163,770		\$163,770	\$218,274	\$54,504
312000	Ashcroft Water System Project	\$138,218	\$18,266	\$74,568		\$212,786		\$212,786	\$277,047	\$64,261
313000	Scottsville PRV & ATV Replacement	\$0	\$0	\$12,970		\$12,970		\$12,970	\$15,000	\$2,030
315000	Williston & Emerson Dr. WL Rep	\$89,432	\$2,519	\$23,935		\$113,367		\$113,367	\$112,068	(\$1,299)
318000	Downtown Crozet Streetscape	\$6,342	\$0	\$21,344		\$27,686		\$27,686	\$60,000	\$32,314
320000	Berwick Rd. Water Main Repl.	\$25,414	\$0	\$2,270		\$27,684		\$27,684	\$26,310	(\$1,374)
321000	Canterbury Hills Water Main Repl.	\$86,800	\$74,020	\$600,761		\$687,561	\$2,650	\$690,211	\$539,583	(\$150,628)
324000	Glenmore Water Tank Study	\$32,453	\$1,556	\$4,191		\$36,644		\$36,644	\$82,190	\$45,546
325000	West Leigh Tank Study	\$55,542	\$0	\$19,570		\$75,112		\$75,112	\$79,390	\$4,278
326000	Hardware St Water Main Ext Project	\$107,549	\$2,855	\$44,436		\$151,985		\$151,985	\$151,645	(\$340)
328000	Camp Holiday Trails W Quality Eval. Study	\$47,312	\$0	\$29,161		\$76,473		\$76,473	\$79,490	\$3,017
330000	Buckingham Cl W&S Project	\$135,987	\$5,678	\$20,400		\$156,387		\$156,387	\$202,585	\$46,198
340000	Brookway Rd Aerial Sewer Crossing Sewer	\$0	\$3,877	\$27,933		\$27,933		\$27,933	\$70,105	\$42,172
342000	Oak Hill Sewer Project	\$123,684	\$464	\$27,004		\$150,688	\$7,679	\$158,367	\$146,540	(\$11,827)
343000	Camelot WWTP Program	\$4,969	\$0	\$0		\$4,969		\$4,969	\$15,000	\$10,031
344000	Camelot WWTP Upgrade	\$258,277	\$0	\$0		\$258,277		\$258,277	\$423,500	\$165,223
345000	Boar's Head Inn Sewer Repl Proj	\$350,381	\$0	\$0		\$350,381		\$350,381	\$334,060	(\$16,321)
346000	Crozet Sewer Pump Station	\$71,477	\$981	\$3,850		\$75,327		\$75,327	\$75,227	(\$100)
347000	Old Forge Sewer Pump Station	\$78,377	\$5,796	\$30,073		\$108,449		\$108,449	\$100,627	(\$7,822)
348000	Crozet SSES Project	\$123,104	\$6,549	\$246,810		\$369,914		\$369,914	\$545,034	\$175,120
349000	Biscuit Run Drainage Basis SSES	\$0	\$58,458	\$102,796		\$102,796		\$102,796	\$309,385	\$206,589
351000	Scottsville Drainage Basin SSES	\$47,261	\$0	\$75,157		\$122,418		\$122,418	\$124,490	\$2,072
353000	Kappa Sigma - WL	\$0	\$0	\$0		\$0		\$0	\$7,624	\$7,624
354000	Kappa Sigma - SL	\$0	\$0	\$0		\$0		\$0	\$8,682	\$8,682
356000	North Fork Regional Pump Station	\$1,262,726	\$1,105,948	\$2,230,814		\$3,493,540	\$785,321	\$4,278,861	\$10,765,879	\$6,487,018
357000	Meadowcreek Drainage Basin S Rehab	\$669,220	\$213,191	\$1,676,041		\$2,345,261		\$2,345,261	\$2,484,130	\$138,869
359000	Northfields Sewer	\$463,179	\$0	\$5,163		\$468,342	\$13,285	\$481,627	\$449,163	(\$32,464)
360000	ACSA Construction Crew	\$0	\$0	\$0		\$0		\$0	\$81,335	\$81,335
362000	Redfields Pump Station Project	\$1,104	\$0	\$13,293		\$14,397		\$14,397	\$17,600	\$3,203
363000	Montvue Water Main Repl	\$0	\$0	\$0		\$0		\$0	\$8,000	\$8,000
364000	Boundary Valve Insertion Project	\$0	\$5,667	\$46,975		\$46,975		\$46,975	\$59,600	\$12,625
365000	Glenmore Pump Station Project	\$0	\$0	\$0		\$0		\$0	\$3,500	\$3,500
366000	East Market St Water Main Repl	\$0	\$0	\$0		\$0		\$0	\$18,400	\$18,400
367000	Univ. Commons Water Main Repl	\$0	\$0	\$0		\$0		\$0	\$13,600	\$13,600
368000	Arden Place Water Extension	\$0	\$8,925	\$12,656		\$12,656		\$12,656	\$29,000	\$16,344
369000	Hollymeade Water Mn. Repl. Ph. 1	\$45,547	\$935	\$132,470		\$178,017		\$178,017	\$359,000	\$180,983
374000	Water Tank Inspection Project	\$0	\$18,828	\$51,108		\$51,108		\$51,108	\$57,555	\$6,447
375000	Geographical Info System	\$267,278	\$0	\$0		\$267,278		\$267,278	\$369,973	\$102,695
376000	Comprehensive W&S Modeling	\$71,642	\$0	\$0	(\$71,642)	\$0		\$0	\$0	\$0
377000	SCADA System Study	\$37,380	\$19,181	\$81,141		\$118,521		\$118,521	\$185,114	\$66,593
378000	Meter Testing Project	\$0	\$14,057	\$14,057		\$14,057		\$14,057	\$298,000	\$283,943
393000	<sup>1</sup> Pump Station Fencing Projects	\$2,515	\$0	\$0		\$2,515		\$2,515	\$15,000	\$12,485
394000	<sup>2</sup> Pump Station Paving Projects	\$20,597	\$4,545	\$10,245		\$30,842		\$30,842	\$33,400	\$2,558
397000	Oversizing Agreements	\$24,720	\$0	\$0		\$24,720		\$24,720	\$31,825	\$7,105
399000	Miscellaneous Const.	\$0	\$0	\$0		\$0		\$0	\$10,000	\$10,000
		<b>\$5,487,584</b>	<b>\$1,600,598</b>	<b>\$5,812,785</b>	<b>(\$105,636)</b>	<b>\$11,194,733</b>	<b>\$808,935</b>	<b>\$12,003,668</b>	<b>\$20,286,331</b>	<b>\$8,282,663</b>

<sup>3</sup> Equipment Replacement Expenses: \$0 \$0  
 Building Maintenance Expenses: \$11,935 \$114,612

**3R Fund Balance** \$8,901,870  
**Balance, 2010 W&S Revenue Bond Proceeds (close 11/12/2010)** \$8,851,114  
**Less Designation for Equipment Replacement & Building Maintenance:** (\$459,501)  
**Less Unexpended (Over-expended) Appropriations:** (\$8,282,663)  
**3R Fund Available Balance:** \$9,010,820

\* Reflects the capitalization of easements as required with the implementation of GASB Statement Number 51, "Accounting and Financial Reporting for Intangible Assets."

<sup>1</sup> Briarwood & Oak Forest

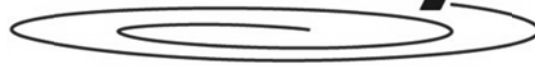
<sup>2</sup> Northfields, Georgetown Green, Ednam, Crozet, & Redfields

<sup>3</sup> Details - None

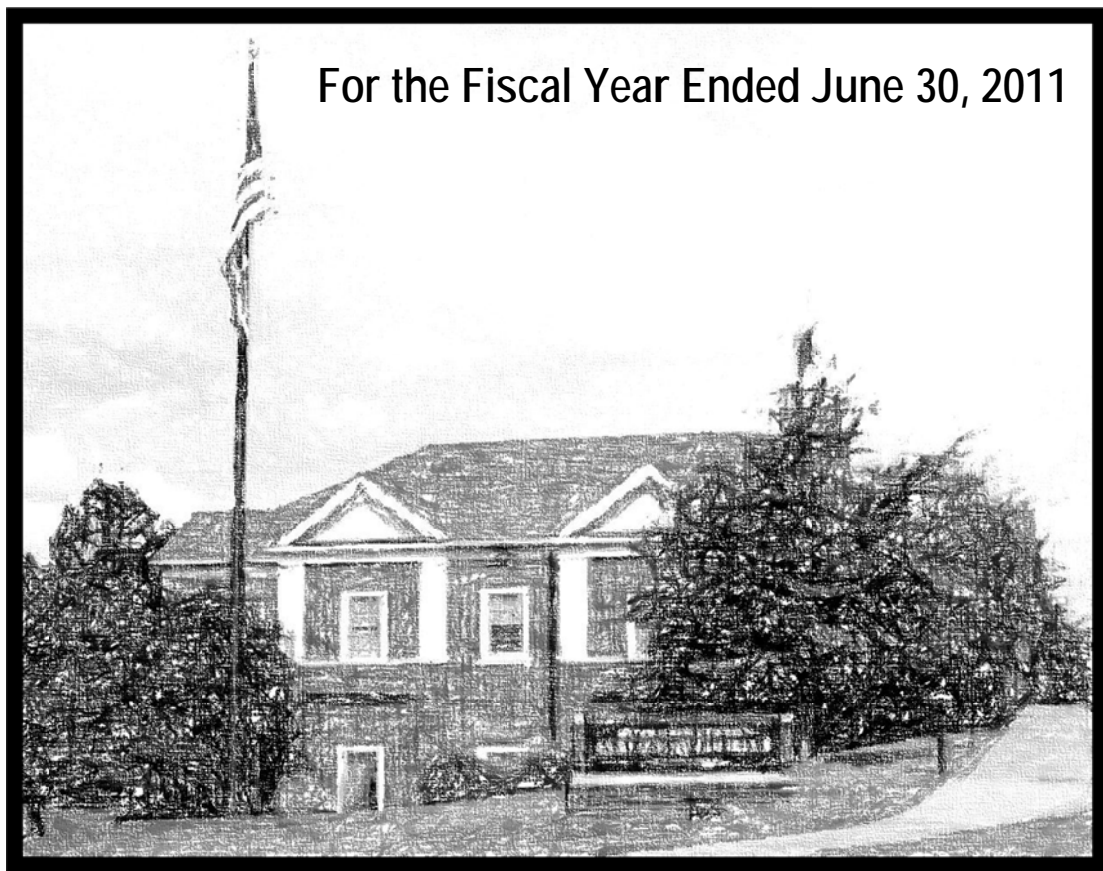
**Additional Appropriations Needed for Over-expended Projects:** \$222,176

# Albemarle County Service Authority

Serving  Conserving



## Comprehensive Annual Financial Report



*Conserve today, sustain tomorrow,  
and protect water and environmental resources forever.*

Charlottesville, Virginia

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**Albemarle County Service Authority**  
Charlottesville, Virginia

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2011**

Prepared By:

Lisa L. Breeden  
Finance Director

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**Albemarle County Service Authority**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2011**

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**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2011**

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## **INTRODUCTORY SECTION**

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# **Albemarle County Service Authority Officials**

**June 30, 2011**

## **BOARD MEMBERS**

Mr. Clarence W. Roberts, Chairman

Dr. Lizbeth A. Palmer, Vice-Chairman

Mr. Richard E. Carter

Mr. James E. Colbaugh

Mr. Bill Kittrell

Mr. David W. Thomas, Esq.

## **OFFICER**

Mr. Gary B. O'Connell  
Executive Director  
Secretary-Treasurer

## **FISCAL AGENT**

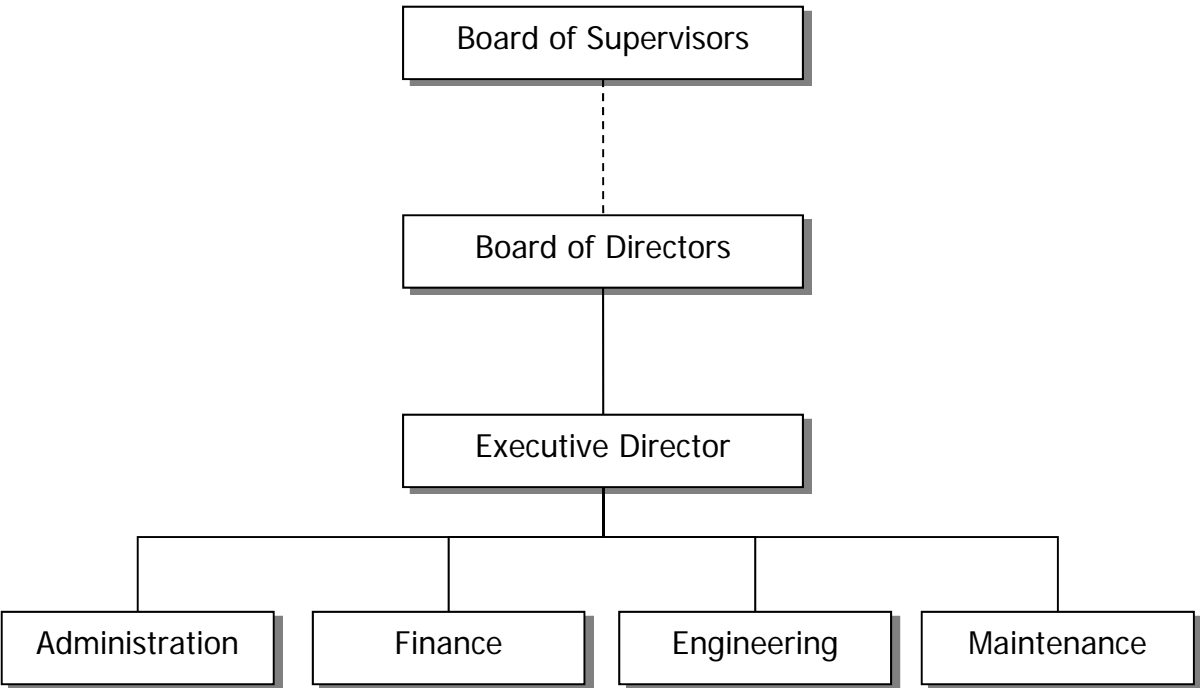
Bank of America Trust Company, Norfolk, VA

## **TRUSTEE**

Bank of New York

**Albemarle County Service Authority**

**Organizational Chart**





December 15, 2011

Board of Directors  
Albemarle County Service Authority  
Charlottesville, Virginia

Dr. Palmer and Gentlemen:

The Comprehensive Annual Financial Report (CAFR) of the Albemarle County Service Authority (Authority) is submitted herewith. With such modifications as apply to our status as an enterprise fund of governmental units and an independently chartered corporation, this report has been prepared in conformity with the reporting and accounting standards promulgated by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and the Government Finance Officers Association's (GFOA) *Governmental Accounting, Auditing, and Financial Reporting*.

Based upon a comprehensive framework of internal control that it has established for this purpose, management assumes full responsibility for the accuracy of the data and for the completeness and reliability of the information contained in this report.

State law and outstanding bond resolutions require an annual audit of the books and records of the Authority. This requirement has been satisfied by the engagement of independent certified public accountants, Robinson, Farmer, Cox Associates, whose opinion is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A), which provides a narrative introduction, overview, and analysis of the basic financial statements immediately follows the independent auditors' report. MD&A complement this letter of transmittal and should be read in conjunction with it.

### ***Organization and Function***

Located in central Virginia, 100 miles southwest of Washington, DC and less than 65 miles west of Richmond, the state capital of Virginia, the Authority was established in 1964, pursuant to the *Virginia Water and Waste Authorities Act*, to provide water and sewer service to those jurisdictional areas in the County of Albemarle (County) designated by the County's Board of Supervisors. The current service areas include the urbanized ring around the City of Charlottesville (City), the communities of Crozet and Scottsville and the village of Rivanna. A six-member Board of Directors, appointed by County Supervisors for renewable four-year terms, appoints management and governs Authority operations.

We have determined, after an examination of the factors involved in the Governmental Accounting Standards Board's definition of "component unit" for financial reporting purposes, that we are not a component unit of the County of Albemarle and will not be included in their financial report. Justification for this decision is outlined in Note 1 to the financial statements.

In June 1973 the Authority and the City sold all water and sewer treatment and major distribution facilities to the newly-formed Rivanna Water and Sewer Authority, which wholesales finished water and sewer treatment services to the Authority and to the City. In 1975 the Authority purchased from the City the facilities to serve all current water and sewer customers outside the City limits; since then it has been the sole public retailer of these services in the County.

In addition to retailing finished water and sewer collection services, the Authority constructs pumping stations and line extensions; purchases, connects to the system, and upgrades private water systems; installs water supply and sewage collector systems; inspects water delivery and sanitary sewage systems installed and contributed to it by developers; and maintains these constructed and contributed facilities.

### ***Economic Conditions***

Much like the rest of the state and the country, the recession has had an effect on this area's economic activity. In the Albemarle Community Profile updated November 22, 2011, the Virginia Employment Commission's Economic Information Services Division (VEC) reported little variation in the County's 2010 unemployment rate of 5.1% as compared to Virginia (6.4%) and to the Country (8.8%), as a whole. Unemployment rates in 2011 remain much the same. According to the VEC, the County's unemployment rate reported by month from January 2011 to September 2011 peaked at 5.2% in January and then returned to 5.1% in September. The relative stability in employment (or reduced fear of unemployment) has, perhaps, bolstered the County's economic vitality; the rise and fall of key economic indicators such as sales, meals, hotel/motel tax revenues<sup>1</sup> (up 13.8%, 39.7%, and 1.32%, respectively), and home sales (down 7.8%) and median prices<sup>2</sup> (up 9.8%), suggest that there is still room for improvement.

Residential and commercial growth within the Authority's urban and Crozet service areas usually mirrors the economic indicators of the County. In fact, the County's economic indicators play a large role in forecasting and projecting the Authority's revenues and expenses each year; the customer buy-in and connection fee revenues projected for fiscal year 2011 provided no exception. Although there was a rebound in the number of new connections in fiscal year 2010, the drop in the number of new connections in fiscal year 2009, a number unseen in nearly three decades, prompted a very conservative estimate of revenues derived from growth in fiscal year 2011. Subsequent fiscal years, however, could see an increase in the number of new Authority connections which would coincide with the Community Development Department of the County's reported<sup>3</sup> "spike" in the issuance of building

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<sup>1</sup> *The Albemarle Quarterly Economic Vitality Indicators*, April 25, 2011

<sup>2</sup> CAAR (Charlottesville Area Association of REALTORS) Market Report, 2011 Mid-Year

<sup>3</sup> *2011 Third Quarter Building Report*

permits; the County issued 928 new residential dwelling units in fiscal year 2011 compared to the 391 units reported in fiscal year 2010 and the 307 units reported in fiscal year 2009. "According to the County's Department of Community Development, however, 300 of the 381 permits issued in FY 11 Q1 were for two projects only: Arden Place and Treesdale, projects which are comprised mostly of apartments and townhomes.<sup>4</sup>" Until these projects trickle down, however, the number of Authority new connections will not rise. New connections totaled 224 in fiscal year 2011 as compared to 304 and 204 in fiscal years 2010 and 2009, respectively. (For detailed information regarding operating and non-operating revenues, please refer to page 18.)

### ***Major Initiatives and Accomplishments***

- ◆ Developed an operating and capital improvement budget for fiscal year 2011 that was both in keeping with our strategic plan and mindful of the area's economic distress. To that end, our goals were 1) to meet anticipated operating and capital improvement expenses without increasing water and sewer volume charges, and to ensure that current operating expenses will be paid with current operating revenues; 2) to moderate increased customer buy-in and connection fees while maintaining our policy of "growth paying for growth;" and 3) to maintain, to improve, and to extend system infrastructure.
- ◆ The Board approved several capital projects, including several water main replacement and sanitary sewer evaluation studies, and a meter test project. The North Fork Regional Pump Station and the Meadowcreek Drainage Basin Sewer Rehabilitation projects accounted for much of the Authority's \$6.1 million investment in improvements to capital assets this fiscal year.

### ***Operations***

Revenues exceeded expenses resulting in operating income before depreciation of \$2,929,836 during fiscal year 2011. While operating revenues (\$20,273,368) from water distribution, sewer collection, and service connection fees were up 5.7% as compared to fiscal year 2010, associated operating expenses (\$17,343,532) reflected a decrease of 2.5% compared to fiscal year 2010.

Unlike the revenues derived from customer buy-in and connection fees, the difference in projected and actual operating revenues and expenses is a little less volatile. While weather conditions play a large role in the discretionary use of water, such as irrigation usage, domestic usage is somewhat more predictable. Actual water, sewer, and service charge revenues collected in fiscal year 2011 were less than .5% lower than projected with actual irrigation usage up 146% as compared to fiscal year 2010. (For detailed information regarding operating and non-operating revenues and expenses, please refer to page 18.)

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<sup>4</sup> *The Albemarle Quarterly Economic Indicators*, October 31, 2010

### ***Accounting, Budgetary Controls, and Long-term Financial Planning***

Although no cost-effective set of accounting controls can guarantee complete freedom from unauthorized use of assets or errors in financial data, we believe that our procedures provide reasonable assurance that assets are properly recorded and protected and that financial data can be confidently used in the preparation of reports, historical summaries and projections. Because the Authority is designed to be a self-supporting, self-sustaining entity, the measurement focus of its financial accounting system is on the preservation of assets. The Authority uses the full accrual basis of accounting, in which revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they occur, regardless of the actual receipt or disbursement of cash.

The Authority employs a basic system of accounting controls involving full segregation of duties: employees with the authority to disburse funds are not involved in the preparation or recording of checks, and those who prepare disbursements submit batch total reports to the Finance Director for approval. Two signatures (the Executive Director's and the Finance Director's) are required for all checks except petty cash and all bank accounts are reconciled monthly. As mentioned briefly in the preceding paragraph, there is no cost-effective set of accounting controls that can guarantee complete freedom from unauthorized use of assets, freedom from the risk of managerial over-ride, freedom from the risk of collusion, or errors in financial data; we believe, however, that because these controls are subject to constant review and evaluation, the internal control framework of the Authority is sound.

The Authority is required by Trust Agreements for its Bond to prepare and adopt an annual operating budget. On a fiscal year basis, department heads prepare preliminary operating budgets and submit them to the Executive Director for consideration. Rates are established based upon required revenue projections and associated costs, which include operating expenses, debt service, capital projects, and reserves. (An adequate operating reserve is important to furnish funds for unplanned minor repairs or other significant repairs; it could also be utilized during unusually wet years, when anticipated revenues are reduced due to lesser than anticipated consumption levels. An adequate repair, replacement, and rehabilitation reserve (3R) is important to furnish funds for unexpected major repairs and planned replacement or rehabilitation of equipment or other major capital assets.) The Executive Director submits a proposed budget and rate recommendation to the Board of Directors for adoption.

After adoption, increases or decreases to the budget are made only upon Board approval, and the budget lapses at the end of the fiscal year for all accounts except multi-year construction projects and specific reappropriations for funds committed at year-end for which goods and/or services have not been received. Department heads and the Board of Directors receive monthly reports on revenues and expenses.

### ***Debt Administration***

Revenue bond coverage, the ratio of gross revenues less direct operational expenses to debt service requirements, was 12.70 in fiscal year 2011. The minimum coverage required by

Board of Directors  
December 15, 2011

outstanding bond indentures is 1.20. At June 30, 2011 outstanding long-term debt, including the current amount payable, totaled \$10,357,000.

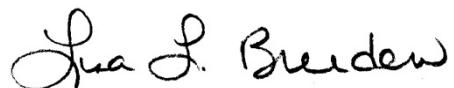
### ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Albemarle County Service Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the twenty-ninth consecutive year that the Authority received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the help of the entire staff of the finance department; their hard work and dedication is much appreciated. Gratitude and expressions of appreciation are due also to Gary B. O'Connell, Executive Director, and to the Board of Directors for their interest in, and support of, the Authority's pursuit of financial reporting excellence.

Respectfully submitted,

A handwritten signature in black ink that reads "Lisa L. Breeden". The signature is written in a cursive, flowing style.

Lisa L. Breeden  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Albemarle County  
Service Authority  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

## **FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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To The Honorable Members of  
Albemarle County Service Authority  
Charlottesville, Virginia

We have audited the accompanying financial statements of the business-type activities of Albemarle County Service Authority, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Albemarle County Service Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Authority's 2010 financial statements, and in our report dated November 24, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Albemarle County Service Authority, as of June 30, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of Albemarle County Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Albemarle County Service Authority's financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Robinson, Turner, Cox Associates*

Charlottesville, Virginia  
December 15, 2011

## Management's Discussion and Analysis

As management of the Albemarle County Service Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Albemarle County Service Authority for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal found on pages 3 - 7 of this report.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended as an introduction to the Authority's basic financial statements. The financial statements, notes to those statements, and required supplementary information are the only items in this report directly addressed in the auditors' opinion; additional data are provided by the Authority to supplement these, but are not subject to the rigorous examination required for the auditors to express an opinion.

**Financial statements.** Since the Authority engages only in business-type activities, the *enterprise fund financial statements* and *notes* are prepared in a manner similar to private-sector businesses.

The *statement of net assets* presents information on all of the Authority's assets and liabilities as of the audit dates in fiscal years 2011 and 2010, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues, expenses, and changes in net assets* presents information showing how the Authority's net assets changed between fiscal years 2011 and 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. As such, some of the revenues and expenses reported in this statement will only affect cash flows in future fiscal periods. (One such example of this is earned but unused vacation leave.)

The *statement of cash flows* supplements the previous two statements by presenting changes in cash position as a result of the Authority's activities in the last two fiscal years. Maintenance of or increases in total cash and cash equivalents from year to year suggest that budgetary, debt, and cash management policies are properly maintaining liquidity for operations; decreases in total cash and cash equivalents might indicate a need to examine the reasons for such decreases.

These statements are found on pages 21 - 23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data presented in the financial statements. The notes are on pages 24 - 39 of this report.

**Other (required supplementary) information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's progress.

## **FINANCIAL HIGHLIGHTS**

- ◆ At the end of fiscal year 2011, the assets of the Authority exceeded its liabilities by \$116,140,654 (*net assets*). Of this amount, \$15,127,190 (*unrestricted net assets*) may be used to meet the Authority's ongoing financial obligations.
- ◆ The Authority's total net assets increased by \$4,620,466. This increase was marked by the capitalization of several capital improvement projects and a number of developer contributions.
- ◆ Driven primarily by the issuance of Water and Sewer System Revenue Bonds, Series 2010 (Taxable – Build America Bond) and an increase in the liability associated with unearned connection fees, the Authority's total liabilities increased by \$13,012,093. With an increase in connection fees scheduled to go into effect September 1, 2010, many local builders/residents were prompted to prepay fees before that date; so many, in fact, that at June 30, 2011, the number of unearned connection fees was more than double that of June 30, 2010. After several years of decline, the increase in unearned connection fees could be attributed to the increase in the issuance of building permits in the County.

## **FINANCIAL ANALYSIS**

By far the largest portion of the Authority's net assets (87%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to our customers; consequently, these assets are not available for future spending. It is important to note that although the Authority's investment in capital assets is reported net of related debt, the resources necessary to repay this debt must come from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

As mentioned in the previous section, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. At the end of fiscal year 2011, Authority assets exceeded liabilities by \$116,140,654.

## FINANCIAL ANALYSIS (Continued)

The restricted portion of the Authority's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$15,127,190) may be used to meet the Authority's ongoing financial obligations; however, portions of this balance have been *designated* to fund capital and 3R expenses as well as unemployment claims should they occur. These amounts are \$8,742,164 and \$13,736, respectively.

	<b>Net Assets</b>		
	2011	2010	2009
Current and other assets	\$ 31,170,938	\$ 19,013,513	\$ 15,433,057
Capital assets	102,030,256	96,555,122	92,903,369
Total assets	133,201,194	115,568,635	108,336,426
Long-term liabilities outstanding	13,049,867	505,527	680,268
Other liabilities	4,010,673	3,542,920	2,455,392
Total liabilities	17,060,540	4,048,447	3,135,660
<b>Net assets:</b>			
Invested in capital assets, net of related debt	101,013,464	96,191,023	92,181,771
Restricted for debt service	0	157,601	157,601
Unrestricted	15,127,190	15,171,564	12,861,396
Total net assets	\$ 116,140,654	\$ 111,520,188	\$ 105,200,768

## FINANCIAL ANALYSIS (Continued)

During the current fiscal year, the Authority's net assets increased by \$4,620,466, which is 27% lower than last year's increase of \$6,319,420 and 32% lower than fiscal year 2009's increase of \$6,772,006. It is important to note that the increases in all fiscal years are attributable (primarily) to the Authority's acceptance of developer constructed and dedicated water and sewer facilities. Developer contributions in excess of \$1.7, \$2.6, and \$2.7 million in fiscal years 2011, 2010, and 2009, respectively, were accepted by the Authority.

	Changes in Net Assets		
	2011	2010	2009
<b>Revenues:</b>			
Operating revenues	\$ 20,273,368	\$ 19,179,938	\$ 18,964,507
Investment income	52,937	219,634	220,234
Rental income	39,972	39,972	39,972
Other revenue	742,599	491,010	523,987
Total revenues	21,108,876	19,930,554	19,748,700
<b>Expenses:</b>			
Operating expenses	17,343,532	17,793,440	15,805,202
Depreciation	2,469,557	2,382,631	2,275,108
Interest expense	295,636	11,029	21,010
Other	995,398	70,116	52,131
Total expenses	21,104,123	20,257,216	18,153,451
Income (loss) before capital contributions	4,753	(326,662)	1,595,249
Capital contributions:	4,615,713	6,646,082	5,176,757
Change in net assets	4,620,466	6,319,420	6,772,006
Net assets - July 1	111,520,188	105,200,768	98,428,762
Net assets - June 30	\$ 116,140,654	\$ 111,520,188	\$ 105,200,768

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The Authority's investment in capital assets as of June 30, 2011 amounted to \$101,013,464 (net of accumulated depreciation, \$31,880,250). Listed below are the capital assets by category at June 30, 2011, 2010, and 2009:

	<b>Capital Assets (net of depreciation)</b>		
	2011	2010	2009
Land (including easements)	\$ 1,772,044	\$ 1,449,485	\$ 965,244
Structures and improvements	117,321,647	115,432,207	105,944,324
Equipment	3,622,082	3,746,644	3,623,147
Construction in progress	11,194,733	5,487,584	9,699,696
Total	\$ 133,910,506	\$ 126,115,920	\$ 120,232,411

Investment increases in capital assets during fiscal year 2011 included the following:

- ◆ More than \$6.1 million was spent on new and existing capital projects. Of that total, \$322,559 was spent for permanent right-of-way easements in fiscal year 2011. For details on ongoing construction in progress, see Note 6 of the financial statements.
- ◆ The Authority capitalized less than \$106,000 worth of completed projects in fiscal year 2011, which accounted for 6% of the increase to structures and improvements. The completed projects included improvements to the maintenance yard and the comprehensive water and sewer modeling system.
- ◆ System infrastructure dedicated to the Authority for operation and maintenance amounted to more than \$1.7 million. These dedications accounted for 94% of the increase to the structures and improvements category.

**Long-term debt.** Outstanding debt included one Water and Sewer Revenue Refunding Bond that was issued in October of 2002 for \$2,691,100 and one Water and Sewer System Revenue Bond (Taxable - Build America Bond) that was issued in November of 2010 for \$10,357,000. Details of this indebtedness may be found in Note 7 of the financial statements.

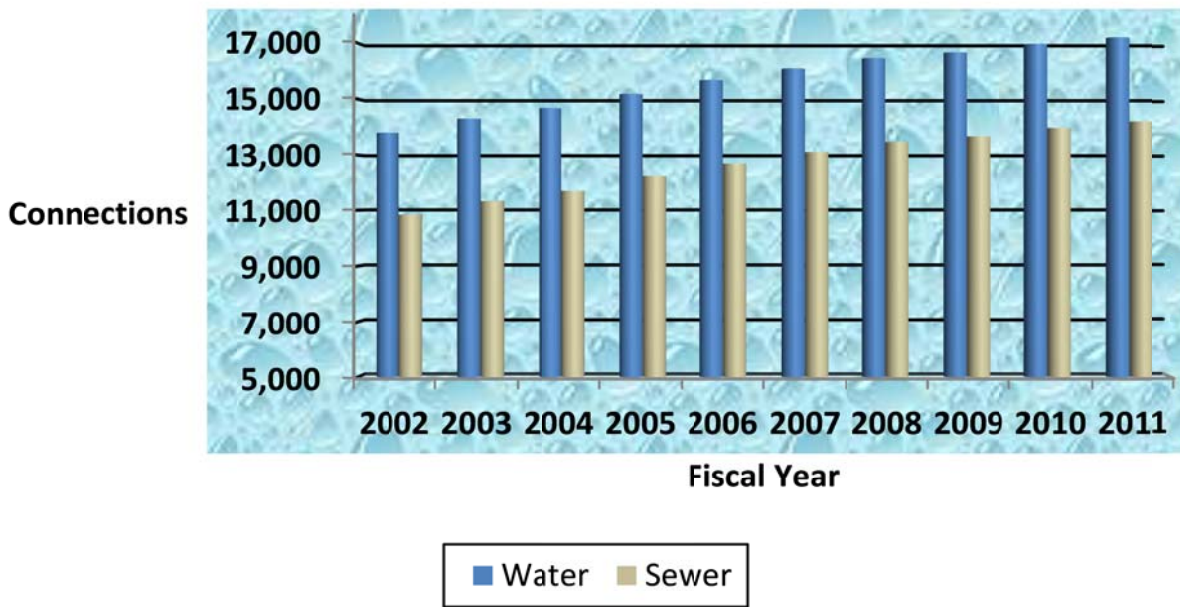
## REVIEW OF OPERATIONS

**Budget objectives.** With a rate structure designed to adequately and equitably recover the cost of providing service to our customers while encouraging water conservation, the Board approved an increase to all system buy-in and connection fees. The objective of the budgeting process for fiscal year 2011 was 1) to operate within the revenues anticipated from those newly adopted rates and fees and 2) to fund, through the use of reserves, \$1,925,000 of the \$15,673,700 anticipated capital costs associated with construction in progress. The Authority planned to (and did) fund a portion (\$13.57 million) of the capital costs incurred in fiscal year 2011 and 2010 for the North Fork Regional Pump Station Project with the proceeds of a borrowing. Details of this indebtedness may be found in Note 7 of the financial statements.

**Billed water and sewer charges, connection charges.** The Authority's water customer base grew to 17,207 by the end of the fiscal year, up from 16,974 connections at the end of fiscal year 2010. Considering multiple units behind master meters, as in apartment complexes, the Authority now serves approximately 27,043 housing units, businesses, industries, and institutions.

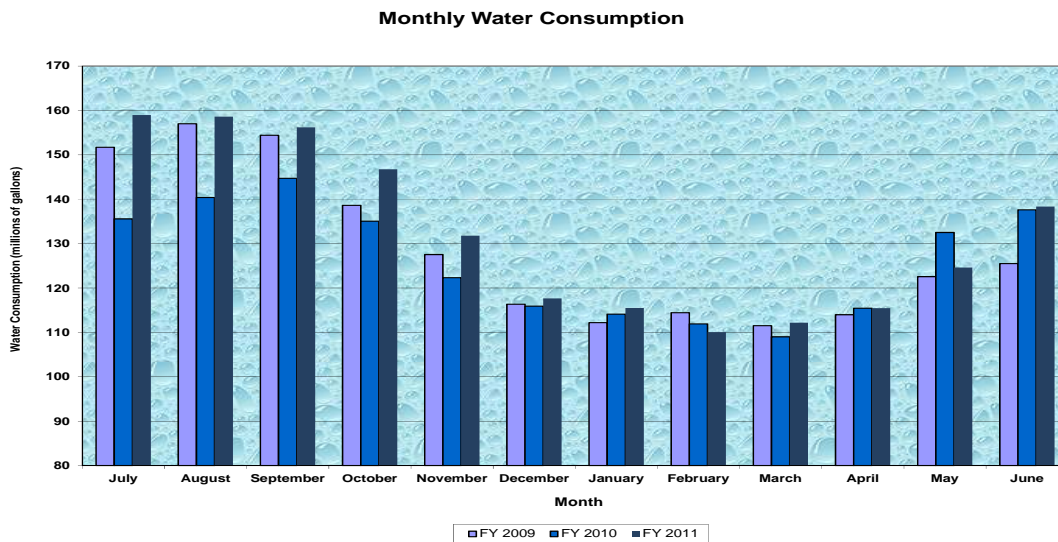
Although the actual number of connections increased, the (ten-year) average number of connections per year dropped from 2.74 to 2.53% in fiscal year 2011.

### Water & Sewer Connections

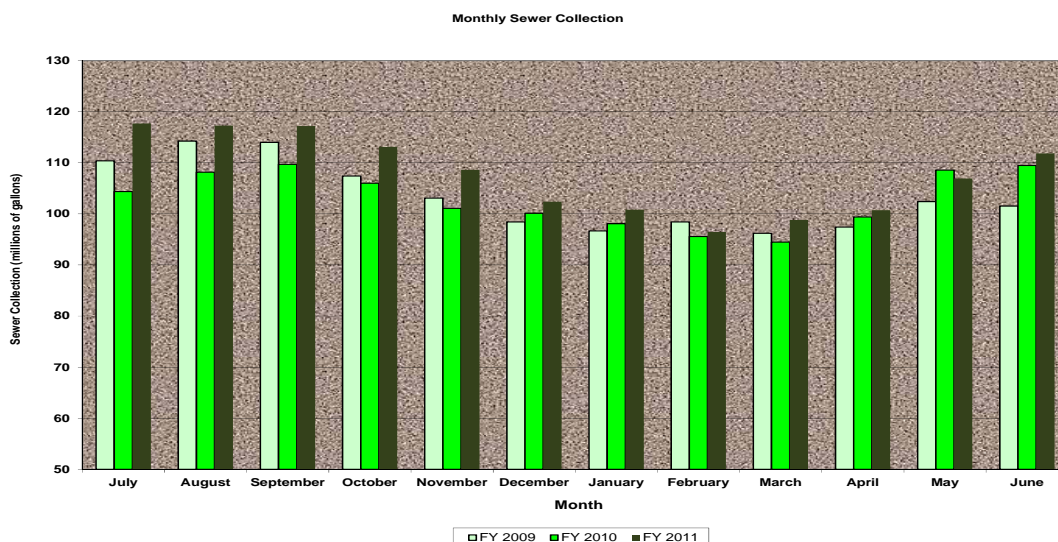


## REVIEW OF OPERATIONS (Continued)

Billed water usage in fiscal year 2011 exceeded billed water usage in fiscal year 2010 by more than 71 million gallons. Billed water usage this fiscal year (1.586 billion gallons) was 5% higher than billed water usage in fiscal year 2010 and 3% higher than 2009. Of that increase in billed water, almost 77 million gallons was used for irrigation; irrigation usage as a percentage of total billed water usage for fiscal years 2009, 2010, and 2011 was 4.84%, 3.48%, and 4.84%, respectively.

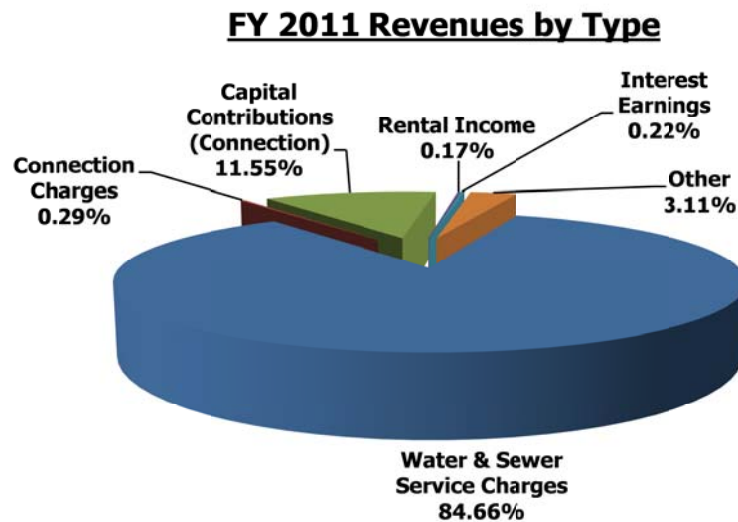


Much like water, the Authority's sewer customer base grew to 14,202 by the end of the fiscal year, up from 13,972 connections at the end of fiscal year 2010. Billed sewer collection (1.29 billion gallons) for fiscal year 2011 was up more than 4% over fiscal years 2010 and 2009.

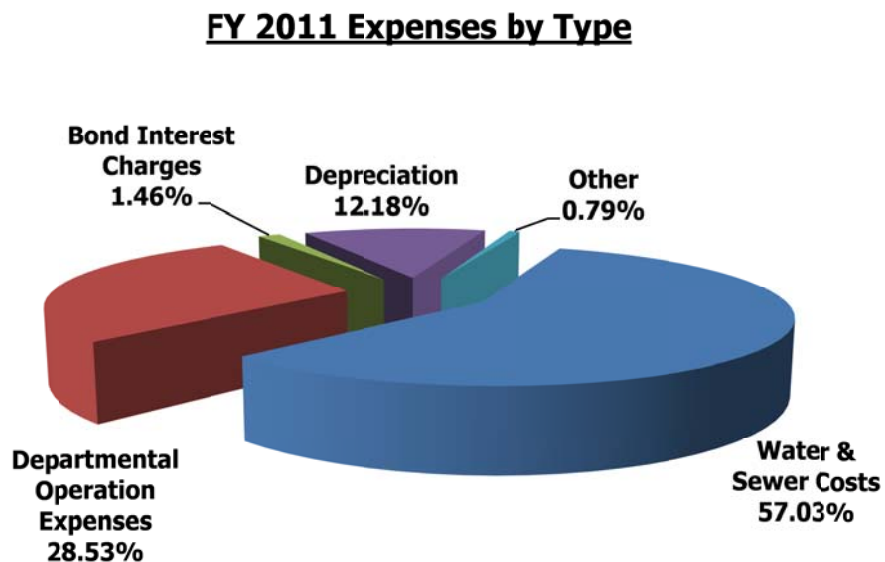


## REVIEW OF OPERATIONS (Continued)

**Revenues.** Revenues, in general, were 2.52% lower than projected in fiscal year 2011. Of this, total operating revenues were .43% lower than projected while non-operating revenues were more than 23% higher than projected. The increase in operating revenue is attributable to the aforementioned rise in billed water and sewer charges. At almost \$2.8 million, cash capital contributions (system buy-in/connection fees, not developer contributions) collected as compared to projected more than doubled. (For more information, please refer to pages 4 – 5 of the letter of transmittal.)



**Expenses – Overall.** Operating expenses, other than expenses for the purchase of water and the treatment of sewer, were 11.89% under budget. Expenses, in general, were 4.4% lower than projected in fiscal year 2011. (For more information, please refer to pages 4 – 5 of the letter of transmittal.)



## REVIEW OF OPERATIONS (Continued)

This fiscal year's operating income, including depreciation charges of \$2,469,557, was \$460,279 compared to last year's loss of \$996,133. Income, including non-operating revenues and expenses, before capital contributions was \$4,753, compared to last fiscal year's loss of \$326,662.

## RESERVES

**Operating reserve.** The Authority has established an operating reserve to provide funds for unplanned minor repairs or other significant cash outlays. This type of reserve is also valuable when lesser than anticipated consumption, during unusually wet years, for example, results in reduced revenues. As part of the budgeting process, operating reserves are usually set at 2% of anticipated operating costs. For fiscal year 2011, the Authority was able to set aside \$391,123 this purpose.

**Capital Costs and 3R reserves.** The Authority has established a repair, replacement, and rehabilitation reserve (3R) to provide funds to pay for unexpected major repairs and planned replacement or rehabilitation of equipment or other major capital assets. This reserve is calculated as a percentage of the system's book value. As part of the budgeting process, 3R reserves were set at .4% of our system's book value. For fiscal year 2011, the Authority budgeted \$377,216, but was able to set aside \$628,965 for this purpose.

## LONG-TERM TRENDS

**Operations.** Careful planning and budgeting in combination with the use of established reserves has been a stabilizing factor in our rate-setting process for many years. This process has allowed our customers (over the years) to enjoy relatively low, albeit increasing, rates for the provision of their water and sewer service.

With new development in combination with aging infrastructure comes the expensive challenge of meeting both the water supply and the sewer treatment needs and requirements of a growing community. Since the Authority employs a "pay-as-you-go"<sup>5</sup> method of recovering the costs of operations and most capital projects, increased costs will be passed on to our customers through higher and higher rates and fees.

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<sup>5</sup> Current customers bear the current cost of operations with future customers bearing the cost of expansion through connection, development, and capacity fees.

## **LONG-TERM TRENDS (Continued)**

**Capital program.** Water capital improvement project cost projections per year for the next ten years range from \$1.6 million to \$4.1 million and sewer capital improvement project cost projections per year for the next ten years range from \$1.3 million to \$6.9 million. With the exception of the North Fork Regional Pump Station Project, the Authority hopes to fund most of these projects through the use of established reserves; however, the need for funding through long-term debt (bonds) is a possibility.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances; for additional information contact the Finance Department in person or by mail at 168 Spotnap Road, Charlottesville, Virginia, 22911, by email through our website, [www.serviceauthority.org](http://www.serviceauthority.org), or by telephone at (434)977-4511.

## **Basic Financial Statements**

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**Albemarle County Service Authority**  
**Statement of Net Assets**  
**As of June 30, 2011**  
(With Comparative Totals for the Prior Year)

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 16,747,146	\$ 15,424,092
Cash with fiscal agent	9,340,208	0
Receivables	1,514,452	1,413,172
Inventory of materials and supplies	305,313	308,353
Prepaid expenses	152,485	167,778
Total current assets	\$ 28,059,604	\$ 17,313,395
Noncurrent assets		
Investments	\$ 3,080,731	\$ 1,483,773
Receivables	30,603	58,744
Restricted assets		
Cash	0	157,601
Capital assets		
Land and improvements (including easements)	1,772,044	1,449,485
Structures and improvements	117,321,647	115,432,207
Equipment	3,622,082	3,746,644
Construction in progress	11,194,733	5,487,584
Less accumulated depreciation	(31,880,250)	(29,560,798)
Total noncurrent assets	\$ 105,141,590	\$ 98,255,240
Total assets	\$ 133,201,194	\$ 115,568,635
<b>LIABILITIES</b>		
Current liabilities (payable from current assets)		
Accounts payable	\$ 1,827,897	\$ 1,659,609
Customer deposits	113,562	108,578
Revenue bonds payable, current portion	335,000	364,100
Interest payable	294,786	4,248
Other accrued expenses	70,763	57,142
Unearned connection fees, current	1,359,285	1,349,243
Advanced federal subsidy	9,380	0
Total current liabilities	\$ 4,010,673	\$ 3,542,920
Noncurrent liabilities:		
Revenue bonds payable, net of unamortized discount	\$ 10,022,000	\$ 0
Other accrued expenses	431,740	352,613
Unearned connection fees	2,596,127	152,914
Total noncurrent liabilities	\$ 13,049,867	\$ 505,527
Total liabilities	\$ 17,060,540	\$ 4,048,447
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 101,013,464	\$ 96,191,023
Restricted for debt service	0	157,601
Unrestricted	15,127,190	15,171,564
Total net assets	\$ 116,140,654	\$ 111,520,188

The notes to the financial statements are an integral part of this statement.

**Albemarle County Service Authority**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2011**  
(With Comparative Totals for the Prior Year)

	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES &amp; EXPENSES</b>		
Operating Revenues		
Water sales and sewer service charges	\$ 20,203,499	\$ 19,088,212
Water and sewer connection fees	69,869	91,726
Total operating revenues	\$ 20,273,368	\$ 19,179,938
Operating Expenses		
Purchase of bulk water	\$ 6,295,891	\$ 6,174,451
Purchase of sewer treatment	5,264,115	5,974,752
Administration	1,294,078	1,206,233
Finance	1,261,830	1,216,541
Engineering	1,249,237	1,246,435
Maintenance	1,978,381	1,975,028
Total operating expenses	\$ 17,343,532	\$ 17,793,440
Operating income before depreciation and amortization	\$ 2,929,836	\$ 1,386,498
Depreciation	2,469,557	2,382,631
Operating income (loss)	\$ 460,279	\$ (96,133)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Non-operating revenues (expenses)		
Interest earnings	\$ 52,937	\$ 219,634
Buck mountain surcharge	35,200	62,500
Rental Income	39,972	39,972
Miscellaneous revenues	604,224	428,510
Federal subsidy, Build America Bonds	103,175	0
Bond interest charges	(295,636)	(11,029)
Unemployment expenses/claims	(9,918)	(7,616)
Building maintenance expense	(114,612)	0
Contribution to RWSA for Dam Design	(835,668)	0
Buck mountain surcharge expense	(35,200)	(62,500)
Non-operating income (loss)	\$ (455,526)	\$ 669,471
Income (loss) before capital contributions	\$ 4,753	\$ (326,662)
Capital Contributions	4,615,713	6,646,082
Change in net assets	\$ 4,620,466	\$ 6,319,420
<b>NET ASSETS</b>		
Total net assets, beginning	111,520,188	105,200,768
Total net assets, ending	\$ 116,140,654	\$ 111,520,188

The notes to the financial statements are an integral part of this statement.

**Albemarle County Service Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**  
(With Comparative Totals for the Prior Year)

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 23,216,213	\$ 20,557,839
Cash payments to suppliers	(12,834,919)	(13,723,795)
Cash payments to employees for services	(4,229,245)	(3,885,788)
Net cash provided by operating activities	\$ 6,152,049	\$ 2,948,256
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bond Proceeds	\$ 10,357,000	\$ 0
Principal payment on bond maturities	(364,100)	(357,500)
Interest paid on bonds outstanding	(5,097)	(15,200)
Capital contributed by developers, customers, and local government	2,831,909	4,078,924
Repair, replacement, rehabilitation expenses (including capital)	(6,289,158)	(3,464,186)
Cash received - contributions receivable	28,889	31,729
Federal subsidy received - Build America Bonds	112,555	0
Sale of equipment	16,153	8,053
Net cash provided by capital and related financing activities	\$ 6,688,151	\$ 281,820
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payment to RWSA in reimbursement of dam design costs	\$ (835,668)	\$ 0
Net cash used for noncapital and related financing activities	\$ (835,668)	\$ 0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	\$ (3,032,943)	\$ 0
Proceeds from sale and maturity of investment securities	1,003,530	5,254,656
Net decrease (increase) in investments	\$ (1,596,958)	\$ 5,254,656
Interest received on investments and cash equivalents	98,087	270,768
Net cash provided by (used for) investing activities	\$ (1,498,871)	\$ 5,525,424
Increase (decrease) in cash and cash equivalents for the year	\$ 10,505,661	\$ 8,755,500
Cash and cash equivalents at beginning of year	15,581,693	6,826,193
Cash and cash equivalents at end of year	\$ 26,087,354	\$ 15,581,693
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 460,279	\$ (996,133)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 2,469,557	\$ 2,382,631
Miscellaneous revenues and expenses, net	562,400	477,438
(Increase) in water/sewer accounts receivable	(77,796)	(132,879)
(Increase) decrease in inventory	3,040	(54,107)
(Increase) decrease in prepaid expenses	15,293	(3,153)
Increase in accounts payable	168,288	136,040
Increase in customer deposits	4,984	142
Increase in accrued payroll expenses	92,749	105,077
Increase (decrease) in unearned connection fees	2,453,255	1,033,200
Total adjustments	\$ 5,691,770	\$ 3,944,389
Net cash provided by operating activities	\$ 6,152,049	\$ 2,948,256
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>		
Contributions of capital assets	\$ 1,783,804	\$ 2,567,158
Capital asset trade-ins	-	7,605
(Decrease) increase in fair value of assets	(33,740)	(1,710)

The notes to the financial statements are an integral part of this statement.

**Notes to Financial Statements**  
**Fiscal Year Ended June 30, 2011**

**NOTE 1 – FINANCIAL REPORTING ENTITY**

The Albemarle County Service Authority (Authority) is a public body politic and corporate and an instrumentality of the Commonwealth of Virginia organized pursuant to the provisions of the *Water and Waste Authorities Act* (Enabling Act), Chapter 28 of the *Code of Virginia* (1950), as amended. The Authority was created by action of the Board of County Supervisors of Albemarle County, Virginia, and was chartered by the State Corporation Commission on April 23, 1964. By resolution dated October 17, 1974, the Board of Supervisors extended the life of the Authority to October 17, 2024. The purpose of the Authority, as set forth in its articles of incorporation as amended in December 1985, is to undertake such projects as may be specified for the distribution and sale of potable water to retail customers and for the collection of wastewater from retail customers and delivery of such wastewater to the Rivanna Water and Sewer Authority.

The Authority has determined that it is a related organization to Albemarle County, Virginia in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*. The Authority is a legally separate organization whose board members are appointed by the Albemarle County Board of Supervisors. Since the Board of Supervisors cannot impose its will on the Authority and since there is no potential financial benefit or burden in relationship, the Board of Supervisors is not financially accountable for the Authority. Accordingly, the Authority is not considered a component unit of the County.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

- a. **Measurement focus and basis of accounting** – The accounts of the Authority are maintained on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The measurement focus of financial reporting is on the flow of economic resources; thus, all assets and all liabilities are included on the *statement of net assets*. The Authority applies all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.
- b. **Budgets** – Budgets are adopted on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the fiscal year with the exception of capital projects, which are valid until completion of said project, and specific re-appropriations for goods and services ordered but not received by June 30. Budgetary control is exercised at the departmental level; any changes to the departmental budget totals require Board approval.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. **Cash, cash equivalents and investments** – Cash and cash equivalents include cash on hand, amounts in demand deposit accounts, certificates of deposit, and short-term investments with a maturity of less than three months when acquired by the Authority. Investments consist of U.S. Government and agency obligations and are stated at fair value.
- d. **Inventory and prepaid items** – Inventories of materials and supplies are valued at the lower of cost or net realizable value, using the weighted-average method of valuation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net assets.

- e. **Capital assets** – Capital assets, which include property and permanent right-of-way easements, equipment, and infrastructure assets (such as water/sewer lines, pumps, valves, and fire hydrants, for example), are reported in the financial statements. Purchased and constructed infrastructure assets are recorded on the basis of cost in the “structures and improvements” category. “Structures and improvements” acquired by the Authority through contributions, such as from developers, are capitalized and recorded in the accounts at fair market value on the date accepted. The recorded values exclude normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

The Authority provides for depreciation of infrastructure in service on the straight-line method at amounts estimated to amortize the cost of assets over their estimated useful lives, as follows:

Structures and Improvements	10 to 60 years
Equipment	3 to 10 years

It is the Authority's policy to capitalize capital assets with a cost basis of five thousand dollars (\$5,000) or more. Capital assets of less than five thousand dollars (\$5,000) are expensed in the period acquired. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in results of operations.

- f. **Restricted assets** – Certain proceeds, including unspent proceeds, of the Authority's revenue bonds are classified as restricted assets on the statement of net assets because they are maintained in a separate bank account and their use is limited by applicable bond covenant.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- g. Revenue** – Customer water meters are read on a cyclical basis throughout a monthly period; bills are rendered and revenue is recognized in the periods that meters are read.

The Authority does not accrue revenue for water distributed and sewer collected but not yet billed at the end of the fiscal year.

- h. Allowance for uncollectible accounts** – The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Historical collection data indicate that any uncollectible amounts would be negligible. Management believes that any accounts that may be written off would not be significant. Accordingly, no allowance for uncollectible accounts has been established.
- i. Compensated absences** – The Authority does not accrue sick pay when earned since its employees do not have vested rights to receive such pay except to the extent of time not worked due to sickness. Vacation pay, which is payable upon separation from employment, is considered a liability and is expensed as earned. Accrued vacation pay is recorded on the statement of net assets at current pay rates in “other accrued expenses.”
- j. Use of estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.
- k. Operating activity** – Operating activities, for preparation of the Authority’s financial statements, are the respective revenues and expenses directly attributable to and associated with the retail of finished water and sewer treatment services. Operating revenues consist of water and sewer charges, service charges, as well as water and sewer connection charges. Miscellaneous revenues (such as reconnection fees, late charges, penalties, and rental income), though not directly attributable to and associated with the retail of finished water and sewer treatment services, are classified as operating revenue for the purpose of cash flow. Operating expenses include the purchase of bulk water, the cost of sewer treatment, and Authority departmental/operational costs. Other “non”-operating revenues (such as customer and developer contributions, and interest earnings, etc.) and expenses (such as capital/equipment, repair, replacement, and rehabilitation costs, bond principal and interest costs, and other miscellaneous costs) are considered and reported as capital and related activities, non-capital and related activities, and investing activities.
- l. Comparative data** – Prior year totals on the financial statements are presented for informational purposes only.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**m. Prior period adjustments and accounting changes** – Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## NOTE 3 – RECEIVABLES

Receivables as of June 30, 2011, including interest receivable on investments, accounts receivable, and contributions receivable, are as follows:

	<u>2011</u>
<b>Receivables, current:</b>	
Interest	\$ 16,094
Accounts	1,470,218
Contributions	<u>28,140</u>
	<u>\$ 1,514,452</u>
<b>Receivables, noncurrent:</b>	
Contributions	<u>\$ 30,603</u>

Current receivables are those the Authority expects to receive in the next fiscal year.

**Contributions receivable** – The contributions receivable balance represents the amounts due from customers of the Farmington water system for connection fees.

## NOTE 4 – DEPOSITS AND INVESTMENTS

### Deposits.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

### Investments.

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances,

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The Authority has no formal investment policy that addresses credit risk or interest rate risk.

**Credit Risk of Debt Securities.**

The Authority's rated debt investments as of June 30, 2011 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<b>Authority's Rated Debt Investments</b>	
<b><u>Rated Debt Investment Value and Fair Quality Ratings</u></b>	
	<b><u>AAA</u></b>
U. S. Agencies	\$ 3,080,730
Local Government Investment Pool	9,539,861
U. S. Treasury Money Market Reserves	<u>432,455</u>
Total	<u>\$ 13,053,046</u>

<b><u>Investment Type</u></b>	<b><u>Investment Maturities (in years)</u></b>		
	<b><u>Fair Value</u></b>	<b><u>1-5 Years</u></b>	<b><u>6-10 Years</u></b>
U. S. Agencies	\$ 3,080,730	\$ 2,064,030	\$ 1,016,700
Total	<u>\$ 3,080,730</u>	<u>\$ 2,064,030</u>	<u>\$ 1,016,700</u>

**External Investment Pools.**

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. Local Government Investment Pool maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

## NOTE 5 – CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2011 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land (including easements)	\$ 1,377,137	\$ 322,559	\$ -	\$ 1,699,696
Construction in progress	5,487,584	5,812,786	105,637	11,194,733
Total capital assets, not being depreciated	\$ 6,864,721	\$ 6,135,345	\$ 105,637	\$ 12,894,429
<b>Other capital assets:</b>				
Land improvements	\$ 72,348	\$ -	\$ -	\$ 72,348
Structures and improvements	115,432,207	1,889,440	-	117,321,647
Equipment	3,746,644	34,220	158,782	3,622,082
Total capital assets, being depreciated	\$ 119,251,199	\$ 1,923,660	\$ 158,782	\$ 121,016,077
<b>Less accumulated depreciation:</b>				
Land and improvements	\$ 72,348	\$ -	\$ -	\$ 72,348
Structures and improvements	27,346,584	2,124,309	-	29,470,893
Equipment	2,141,866	345,249	150,106	2,337,009
Total accumulated depreciation	\$ 29,560,798	\$ 2,469,558	\$ 150,106	\$ 31,880,250
Total capital assets, net	\$ 96,555,122	\$ 5,589,447	\$ 114,313	\$ 102,030,256

The Authority's leasing activities for the fiscal year ended June 30, 2011 are as follows:

Asset Description and Leasing Arrangements	Rental Income	Asset Value (Land & Structures in Total)		
		Cost	Accumulated Depreciation	Carrying Amount
<b><u>171 Spotnap Road</u></b>				
In December of 2001, the Authority acquired the land and structure (house and garage) adjoining its headquarters and maintenance facilities at 168 Spotnap Road. Until such time as the property is needed for office space, storage, and/or expansion, the Authority will lease the house together with the small unfenced yard around the house.	\$ 12,000	\$ 290,638	\$ 38,945	\$ 251,693
<b><u>Building 1 – Crozet Office/Equipment Yard</u></b>				
The Authority leases a portion of its yard and storage facility in Crozet.	14,400	25,313	25,313	0
<b><u>Tank Site, Avon Street Extended</u></b>				
The Authority leases a 60' X 70' parcel of property at its Avon Street Extended Tank Site for a communications tower and facility.	13,572	147,717	0	147,717
Total	\$ 39,972	\$ 463,668	\$ 64,258	\$ 399,410

## NOTE 6 – CONSTRUCTION WORK IN PROGRESS

Details of construction work in progress at June 30, 2011 are as follows:

Project Name	Balance at 6/30/10	Cost of Construction	Transfers to Capital Assets	Balance at 6/30/11
Facility Improvements-Shop/Office	\$ 29,626	\$ 39,734	\$ -	\$ 69,360
ACSA Maintenance Yd Imp.	33,995	-	(33,995)	-
ACSA Office Renovations	699,495	723	-	700,218
Scottsville Streetscape Project	1,236	13,800	-	15,036
Key West Water Main Replacement	-	3,409	-	3,409
Shopper's World Water Main Relocate	-	24,905	-	24,905
St. George Ave/Buck Mtn. Rd W	74,748	89,022	-	163,770
Ashcroft Water System Project	138,218	74,568	-	212,786
Scottsville PRV & ATV Repl	-	12,970	-	12,970
Williston & Emerson Dr. WL Rep	89,432	23,935	-	113,367
Downtown Crozet Streetscape	6,342	21,344	-	27,686
Berwick Rd. Water Main Rep	25,414	2,270	-	27,684
Canterbury Hills Water Main Repl	86,800	600,761	-	687,561
Glenmore Water Tank Study	32,453	4,191	-	36,644
West Leigh Tank Study	55,542	19,570	-	75,112
Hardware St. Water Extension	107,549	44,436	-	151,985
Camp Holiday Trails W Quality Eval	47,312	29,161	-	76,473
Buckingham Cl. W&S	135,987	20,400	-	156,387
Brookway Rd Aerial Sewer Crossing	-	27,933	-	27,933
Oak Hill Sewer Project	123,684	27,004	-	150,688
Camelot WWTP Program	4,969	-	-	4,969
Camelot WWTP Upgrade	258,277	-	-	258,277
Boar's Head Inn Sewer Repl.	350,381	-	-	350,381
Crozet Sewer Pump Station	71,478	3,850	-	75,328
Old Forge Sewer Pump Station	78,377	30,073	-	108,450
Crozet SSES	123,104	246,810	-	369,914
Biscuit Run Drainage Basin SSES	-	102,796	-	102,796
Scottsville Drainage Basin SSES	47,261	75,157	-	122,418
North Fork Pump Station Project	1,262,726	2,230,814	-	3,493,540
Meadowcreek Drainage Basin SSES	669,220	1,676,041	-	2,345,261
Northfields Sewer	463,179	5,163	-	468,342
Redfields Pump Station	1,104	13,293	-	14,397
Boundary Valve Insertion Project	-	46,975	-	46,975
Arden Place Water Extension	-	12,656	-	12,656
Hollymeade Water Main Repl Ph 1	45,547	132,470	-	178,017
Water Tank Inspection Project	-	51,108	-	51,108
Geographical Info System	267,275	-	-	267,275
Comprehensive W & S Modeling	71,642	-	(71,642)	-
SCADA System Study	37,380	81,141	-	118,521
Meter Testing Project	-	14,057	-	14,057
Pump Station Fencing Projects	2,514	-	-	2,514
Pump Station Paving Projects	20,596	10,245	-	30,841
Oversizing Agreements	24,721	-	-	24,721
	<u>\$ 5,487,584</u>	<u>\$ 5,812,786</u>	<u>\$ (105,637)</u>	<u>\$ 11,194,733</u>

## NOTE 6 – CONSTRUCTION WORK IN PROGRESS (Continued)

### Construction Commitments

As of June 30, 2011, the Authority's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Commitment</u>
Water line replacements	\$ 41,040	\$ 2,160
Wastewater line rehabilitations or relinings	3,625,863	6,759,563
Total	<u>\$ 3,666,903</u>	<u>\$ 6,761,723</u>

## NOTE 7 – LONG-TERM DEBT

### Details of long-term indebtedness:

**Water and Sewer System Revenue Refunding Bond, Series of 2002** – The total amount authorized was \$2,691,100. A single bond was issued for this amount under the terms of a Second Supplemental Agreement of Trust between the Authority and the Bank of New York as Successor Trustee dated October 29, 2002. Proceeds from the sale, along with other funds, were used to retire the Water and Sewer System Revenue Bonds, Series of 1991, and the Water and Sewer System Refunding Revenue Bonds, Series of 1993. This single Bond is in registered form and bears interest at the rate of 2.8% per year, payable semiannually on each February 1 and August 1, commencing February 1, 2003. Principal is payable on August 1, 2004 and each August 1 thereafter until 2010, in amounts ranging from \$342,200 to \$467,000.

**Water and Sewer System Revenue Bond, Series 2010 (Taxable - Build America Bond (BAB))** – The total amount authorized was \$10,357,000. A single bond was issued as a Build America Bond (BAB) Private Placement for this amount under the terms of a First Supplemental Agreement of Trust between the Authority and the Bank of New York Mellon Trust Company as Trustee dated November 1, 2010. Proceeds from the sale were and will be used to (1) provide new money funding for the North Fork Regional Pump Station project which includes the construction and installation of the pump station, as well as new force mains and gravity sewer mains and (2) pay the cost of issuance. This single Bond is in registered form and bears interest at the rate of 4.6% per year, payable semiannually on January 15 and July 15, commencing on July 15, 2011. (The true interest cost, after application of the BAB subsidy, is 2.98%.) Principal is payable on January 15, 2012 and each January 15 thereafter until 2031, in amounts ranging from \$335,000 to \$679,000.

**NOTE 7 – LONG-TERM DEBT (Continued)**

Annual requirements to amortize long-term debt and related interest are as follows:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Anticipated BAB Subsidy</b>	<b>Net Interest</b>
2012	\$ 335,000	\$ 559,796	\$ (195,929)	\$ 363,867
2013	399,000	461,012	(161,354)	299,658
2014	411,000	442,658	(154,930)	287,728
2015	424,000	423,752	(148,313)	275,439
2016	436,000	404,248	(141,487)	262,761
2017 - 2021	2,386,000	1,707,980	(597,793)	1,110,187
2022 - 2026	2,764,000	1,125,390	(393,887)	731,504
2027 - 2031	3,202,000	450,616	(157,716)	292,900
Totals	<u>\$ 10,357,000</u>	<u>\$ 5,575,452</u>	<u>\$ (1,951,408)</u>	<u>\$ 3,624,044</u>

Current portion	\$ 335,000
Non-current portion	10,022,000
Total	<u>\$ 10,357,000</u>

**Changes in long-term liability:**

Long-term liability activity for the fiscal year ended June 30, 2011, is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue bonds payable	\$ 364,100	\$ 10,357,000	\$ 364,100	\$ 10,357,000	\$ 335,000
Compensated absences	317,288	198,007	219,138	296,157	38,466
Other post-employment benefits	70,472	132,904	29,328	174,048	-
Unearned Connection Fees	1,502,157	2,969,474	516,219	3,955,412	1,359,285
Long-term liabilities	<u>\$ 2,254,017</u>	<u>\$ 13,657,385</u>	<u>\$ 1,128,785</u>	<u>\$ 14,782,617</u>	<u>\$ 1,732,751</u>

**Federal arbitrage regulations:** The Authority is in compliance with federal arbitrage regulations. Any potential liabilities arising from arbitrage are estimated to be immaterial in relation to the financial statements.

## **NOTE 8 – PURCHASE OF WATER AND SEWAGE TREATMENT SERVICES**

The Authority, under the terms of a Service Agreement dated June 12, 1973, purchases all water and sewage treatment services from Rivanna Water and Sewer Authority. These purchases amounted to \$6,295,891 and \$6,174,451 for water and \$5,264,115 and \$5,974,752 for sewage treatment services for the years ended June 30, 2011 and 2010, respectively.

## **NOTE 9 – DEFINED BENEFIT PENSION PLAN**

### **Plan Description.**

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or at age 50 with at least thirty years of service credit. They may retire with a reduced benefit early at age 55 with at least ten years of service credit or at age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equal 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based upon a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for members is 1.70%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP), or the Advance

## NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

### Funding Policy.

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All of the 5% member contribution has been assumed by the Authority. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended June 30, 2011 was 7.65% of annual covered payroll.

### Annual Pension Cost.

For fiscal year 2011, the Authority's annual pension cost of \$227,307 (excluding the employee share assumed by the Authority which was \$146,352) was equal to the Authority's required and actual contributions.

### Three-Year Trend Information for Albemarle County Service Authority

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)<sup>1</sup></b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
June 30, 2011	\$227,307	100%	-
June 30, 2010	\$242,174	100%	-
June 30, 2009	\$229,068	100%	-

<sup>1</sup> Employer portion only

## **NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75 to 5.6% per year, and (c) COLAs of 2.5% per year. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was twenty years.

### **Funded Status and Funding Progress.**

As of June 30, 2010, the most recent actuarial valuation date, the plan was 75.88% funded. The actuarial accrued liability for benefits was \$11.19 million, and the actuarial value of assets was \$8.49 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.70 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.99 million, and the ratio of the UAAL to the covered payroll was 90.17%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

## **NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS:**

### **Plan Description.**

The Authority's Voluntary Early Retirement Incentive Program (VERIP) is a single-employer plan which provides retirement and health insurance benefits for up to five years for employees who retire and meet the requirements of the plan. VERIP benefits are paid monthly for a period of five years after retirement or until age 65, whichever comes first. Participants may accept it as a cash payment, or apply it toward the cost of the continuation of their health insurance benefits.

Participants in the Authority's VERIP must meet the following requirements: employees must be eligible and prepare an application for early or full retirement under the provisions of the Virginia Retirement System (VRS), must have been employed by the Authority for 10 years prior to retirement, and must be at least 50 years of age. Any employees retiring under the disability provisions of VRS and/or Social Security will not be eligible for VERIP.

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (Continued):**

**Funding Policy.**

The Authority establishes employer health and benefit contribution rates as part of the budgetary process each year. VERIP participants may choose to apply this subsidy to Authority sponsored health insurance premiums or to receive a cash subsidy to purchase other insurance. For fiscal year 2011, the Authority's health and benefit contribution was \$600 per month.

**Annual Required Contribution (ARC).**

The annual cost of post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$134,000 for fiscal year 2011. The Authority has elected not to pre-fund OPEB liabilities. The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**Annual OPEB Cost and Net OPEB Obligation.**

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retirees by the Authority. The following table depicts the components of the Authority's annual OPEB costs for the year, the estimated annual contributions to the plan, and the changes to the Authority's net OPEB obligation:

Annual Required Contribution (ARC)	\$	134,000
Interest on OPEB Obligation		2,819
Adjustment to ARC		(3,915)
Annual OPEB Cost	\$	<u>132,904</u>
Contributions Made During FY11		(29,328)
Increase in Net OPEB Obligation	\$	<u>103,576</u>
Net OPEB Obligation - beginning of year		70,472
Net OPEB Obligation - end of year	\$	<u>174,048</u>

The Authority's cash payment of \$29,328 was less than the OPEB cost (expense) of \$132,904 and was \$104,672 short of the ARC. The Authority's annual OPEB cost, the percentage of

## NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 is as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2011	\$132,904	22%	\$ 174,048
June 30, 2010	\$134,000	22%	\$ 70,472
June 30, 2009	n/a	n/a	n/a

### Funded Status and Funding Progress.

The actuarial accrued liability for benefits was \$1.369 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.369 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.095 million, and the ratio of the UAAL to the covered payroll was 125%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

### Actuarial Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2009 actuarial valuation used the projected unit credit method, with linear pro-rata to assumed benefit. The unfunded liability is amortized over 30 years (closed) as a

## **NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (Continued):**

level percentage of pay. The actuarial assumptions included continuation of the flat dollar VERIP subsidy of \$600 per month to increase with medical trend each year of approximately 1.2%, an investment/discount rate (unfunded) of 4%, a payroll growth rate of 3.5%, and a rate of inflation of 3.2%. Other variables used in the actuarial assumptions included a 0.9% rate of growth in real income/GDP rate per capita, an income multiplier for health spending of 1.4, a 25% health share of GDP resistance point, and a year for limiting cost growth to GDP growth of 2075.

## **NOTE 11 – CONTINGENT LIABILITIES**

**Unemployment insurance** – The Authority has elected to meet the requirements of the Unemployment Compensation Act through self-insurance, whereby the Authority will be responsible for all unemployment benefits paid by the Virginia Employment Commission on its behalf. The Authority incurred costs of \$9,918 for unemployment benefits in fiscal year 2011.

**Pending litigation** – At June 30, 2011 there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters be unfavorable to the Authority. There was, however, one matter of litigation (an insurance claim) that is being defended by our insurance company. An unfavorable outcome in the matter is not probable, but in any case, the amount (\$146,000) would not materially affect the Authority's financial position.

## **NOTE 12 – DEFERRED COMPENSATION PLAN**

Since 1988 the Authority has offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a maximum of 100% of their salary or \$16,500 per year, whichever is less. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

## **NOTE 13 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, damage to property, injuries to employees, destruction of assets, and natural disasters. These risks are covered by municipal insurance programs available to cities, counties, and towns (see table 17, page 53).

## **NOTE 13 – RISK MANAGEMENT (Continued):**

The Authority is a member of the Virginia Municipal Group Self Insurance Association (VMGSIA) risk pool for workers' compensation coverage and of the Virginia Association of Counties Risk Management Programs for property, automobile, employee crime and dishonesty, public officials, and general liability coverage. Both of these associations are risk pools which, for premiums paid, protect Virginia state and local government entities; the VMGSIA pool is administered by the Virginia Municipal League, and the VACORP pool is administered by the Virginia Association of Counties. Settlement amounts under these policies have not exceeded insurance coverage for the last three fiscal years.

The limits of the pools' liability to the Authority are as follows:

VMGSIA – Workers' Compensation: Specific excess limits as per statute, aggregate excess limits up to the limits of the Aggregate Excess Loss Fund. Employers' Liability: \$1,000,000 for each accident, \$1,000,000 policy limit for each employee injury by disease.

### VACORP

- ◆ Property (buildings/contents, computers): blanket up to \$9,202,000
- ◆ Automobile:
  - ◆ bodily injury and property damage – \$5,000,000 per occurrence
  - ◆ medical payments – \$5,000 per occurrence
- ◆ Employee crime and dishonesty – \$250,000
- ◆ Public Officials' General Liability:
  - ◆ \$3,000,000 per occurrence
  - ◆ \$3,000,000 annual aggregate
- ◆ General Liability: \$5,000,000

The Authority continues to carry commercial insurance for all other risks of loss, namely employee health insurance. Claims have not exceeded coverage for the last three fiscal years.

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**Required Supplementary Information**

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## Schedule of Funding Progress for the Defined Benefit Pension Plan and Other Post-Employment Benefits

Last Five Fiscal Years

### Defined Benefit Pension Plan – Virginia Retirement System:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	Unfunded AAL as % Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$8,490,149	\$11,189,477	\$2,699,328	75.88%	\$2,993,511	90.17%
6/30/2009	\$8,278,447	\$10,052,211	\$1,773,764	82.35%	\$2,907,157	61.01%
6/30/2008	\$7,988,923	\$9,275,221	\$1,286,298	86.13%	\$2,561,668	50.21%
6/30/2007	\$7,136,606	\$8,624,008	\$1,487,402	82.75%	\$2,320,019	64.11%
6/30/2006	\$6,290,043	\$7,485,893	\$1,195,850	84.03%	\$2,138,914	55.91%

### Other Post-Employment Benefits:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	Unfunded AAL as % Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2009	\$ -	\$1,369,000	\$1,369,000	0.00%	\$1,095,000	125%

Note: OPEB information has only been available for one year.

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## STATISTICAL SECTION

This part of the Albemarle County Service Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about its financial health.

### Contents

**Financial Trends** ..... 41 - 42

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

**Revenue Capacity** ..... 43 - 45

These schedules contain information to help the reader assess the Authority's most significant revenue source, water and sewer charges.

**Debt Capacity** ..... 46 - 47

These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt and the Authority's ability to issue additional debt in the future.

**Demographic and Economic Information** ..... 48 - 49

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

**Operating Information** ..... 50 - 54

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Albemarle County Service Authority implemented GASB Statement 34 in fiscal year 2003; schedules presenting information relating to GASB Statement 34 include information beginning that year.

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## Financial Trends

**Albemarle County Service Authority**  
**Net Assets**  
**Last Nine Fiscal Years**  
 (accrual basis of accounting)

**Table 1**

	<b>Fiscal Year</b>								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 62,790,850	\$ 63,478,888	\$ 71,362,562	\$ 74,778,473	\$ 79,695,637	\$ 85,602,877	\$ 92,181,771	\$ 96,191,023	\$ 101,013,464
Restricted for debt service	157,601	162,310	157,601	157,601	157,601	157,601	157,601	157,601	-
Unrestricted	<u>13,319,998</u>	<u>13,618,433</u>	<u>12,788,042</u>	<u>12,628,455</u>	<u>12,512,905</u>	<u>12,668,284</u>	<u>12,861,396</u>	<u>15,171,564</u>	<u>15,127,190</u>
Total business-type activities net assets	<u>\$ 76,268,449</u>	<u>\$ 77,259,631</u>	<u>\$ 84,308,205</u>	<u>\$ 87,564,529</u>	<u>\$ 92,366,143</u>	<u>\$ 98,428,762</u>	<u>\$ 105,200,768</u>	<u>\$ 111,520,188</u>	<u>\$ 116,140,654</u>

## Financial Trends (continued)

**Albemarle County Service Authority**  
**Changes in Net Assets**  
**Last Nine Fiscal Years**  
 (accrual basis of accounting)

**Table 2**

	Fiscal Year								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Operating Expenses</b>									
Operating expenses									
Water	\$ 5,641,265	\$ 6,260,849	\$ 7,197,252	\$ 7,941,477	\$ 8,353,895	\$ 8,499,109	\$ 8,786,314	\$ 9,391,666	\$ 9,592,501
Sewer	3,852,691	4,888,989	4,927,425	5,029,752	5,895,662	6,132,189	7,018,888	8,401,774	7,751,031
Other	1,579,114	1,667,929	1,600,238	1,861,723	1,983,604	2,153,004	2,275,108	2,382,631	2,469,557
Total operating expenses	<u>\$ 11,073,070</u>	<u>\$ 12,817,767</u>	<u>\$ 13,724,915</u>	<u>\$ 14,832,952</u>	<u>\$ 16,233,162</u>	<u>\$ 16,784,302</u>	<u>\$ 18,080,311</u>	<u>\$ 20,176,071</u>	<u>\$ 19,813,089</u>
<b>Operating Revenues</b>									
Charges for services:									
Water	\$ 6,372,167	\$ 5,355,740	\$ 6,363,346	\$ 7,301,590	\$ 8,440,152	\$ 9,114,653	\$ 10,151,345	\$ 10,248,876	\$ 10,952,033
Sewer	3,027,529	4,263,307	4,501,376	4,782,364	5,583,776	6,788,262	8,645,944	8,839,336	9,251,466
Connection	129,884	169,585	185,829	178,510	235,339	184,056	167,218	91,726	69,869
Total operating revenues	<u>\$ 9,529,580</u>	<u>\$ 9,788,632</u>	<u>\$ 11,050,551</u>	<u>\$ 12,262,464</u>	<u>\$ 14,259,267</u>	<u>\$ 16,086,971</u>	<u>\$ 18,964,507</u>	<u>\$ 19,179,938</u>	<u>\$ 20,273,368</u>
<b>Net (Expense)/Revenue</b>	<u>\$ (1,543,490)</u>	<u>\$ (3,029,134)</u>	<u>\$ (2,674,365)</u>	<u>\$ (2,570,488)</u>	<u>\$ (1,973,895)</u>	<u>\$ (697,332)</u>	<u>\$ 884,197</u>	<u>\$ (996,133)</u>	<u>\$ 460,279</u>
<b>Other Revenues and changes in net assets</b>									
Investment earnings	\$ 255,055	\$ 29,311	\$ 237,438	\$ 251,877	\$ 436,257	\$ 633,377	\$ 220,234	\$ 219,634	\$ 52,937
Miscellaneous revenues	486,455	531,431	504,357	538,202	479,473	523,143	563,960	530,982	679,396
Capital contributions	4,785,408	4,109,249	9,258,048	5,171,876	5,970,862	5,706,636	5,176,757	6,646,082	4,615,713
Other expenses	(325,560)	(649,675)	(276,907)	(135,144)	(111,081)	(103,208)	(73,141)	(81,145)	(1,187,859)
Total other revenues and changes in net assets	<u>\$ 5,201,358</u>	<u>\$ 4,020,316</u>	<u>\$ 9,722,936</u>	<u>\$ 5,826,812</u>	<u>\$ 6,775,511</u>	<u>\$ 6,759,948</u>	<u>\$ 5,887,809</u>	<u>\$ 7,315,553</u>	<u>\$ 4,160,187</u>
<b>Change in Net Assets</b>	<u>\$ 3,657,869</u>	<u>\$ 991,182</u>	<u>\$ 7,048,571</u>	<u>\$ 3,256,324</u>	<u>\$ 4,801,617</u>	<u>\$ 6,062,617</u>	<u>\$ 6,772,006</u>	<u>\$ 6,319,420</u>	<u>\$ 4,620,466</u>

# Revenue Capacity

**Albemarle County Service Authority**  
**Water and Sewer Sold by Type of Customer**  
**Last Ten Fiscal Years**  
(in millions of gallons)

**Table 3**

Type of Water Customer	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Single-family residential	812.1	681.0	694.5	721.6	796.6	809.1	720.7	725.8	705.4	740.6
Multi-family residential	331.6	298.4	332.9	362.2	353.3	386.5	357.0	347.0	347.2	350.4
Commercial (Offices)	55.2	42.7	40.6	42.9	48.5	48.2	41.6	48.3	44.8	52.9
Commercial (Other)	283.3	237.5	238.6	248.6	263.3	284.7	257.1	259.8	253.2	270.0
Industrial	56.0	39.0	27.7	28.3	30.5	30.8	24.8	20.9	20.5	20.1
Institutional	157.3	149.2	138.0	138.7	147.1	151.8	142.5	143.9	143.8	152.6
<b>TOTAL WATER SOLD</b>	<b>1,695.5</b>	<b>1,447.8</b>	<b>1,472.3</b>	<b>1,542.3</b>	<b>1,639.3</b>	<b>1,711.1</b>	<b>1,543.7</b>	<b>1,545.7</b>	<b>1,514.9</b>	<b>1,586.6</b>

Summer rates	\$2.82	\$3.27	\$3.45
Winter rates	2.32	2.67	2.85

Residential & irrigation 0-3,000	\$3.06	\$3.06	\$3.37	\$3.62	\$3.86
3,001-6,000	3.67	3.67	4.04	5.43	6.10
Over 6,000	6.56	6.56	7.22	9.67	10.90
Multi-family & non-residential	3.90	3.90	4.29	5.33	6.04

Residential & irrigation 0-3,000	3.32	3.31
3,001-6,000	6.64	6.62
6,001-9,000	9.96	9.93
Over 9,000	13.28	13.24
Multi-family & non-residential	6.19	6.19

Type of Sewer Customer	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Single-family residential	549.9	475.2	494.9	519.5	559.0	582.4	541.7	538.9	537.0	556.4
Multi-family residential	281.7	261.5	286.9	317.9	339.6	363.2	328.3	315.0	314.2	322.5
Commercial (Offices)	40.7	35.3	35.4	35.9	37.9	36.7	33.8	39.2	36.2	43.5
Commercial (Other)	205.6	190.1	197.7	207.6	211.6	229.7	217.4	211.9	213.8	220.0
Industrial	30.3	26.0	22.3	23.0	19.9	27.3	21.2	17.6	17.7	20.9
Institutional	118.0	108.6	111.8	114.4	120.1	121.1	114.3	117.6	116.2	128.6
<b>TOTAL SEWER SOLD</b>	<b>1,226.2</b>	<b>1,096.7</b>	<b>1,149.0</b>	<b>1,218.3</b>	<b>1,288.1</b>	<b>1,360.4</b>	<b>1,256.7</b>	<b>1,240.2</b>	<b>1,235.1</b>	<b>1,291.9</b>

Rate per 1,000 gallons	\$2.51	\$2.91	\$3.74	\$3.74	\$3.74	\$4.11	\$5.41	\$7.00	\$7.21	\$7.21
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## Revenue Capacity (continued)

Albemarle County Service Authority  
Water and Sewer Rates  
Last Ten Fiscal Years

Table 4

Fiscal Year	Water			Sewer	
	Monthly Service Charge	Volume/Period	Rate per 1,000 Gallons	Volume/Period	Rate per 1,000 Gallons
2002	\$ 4.25	June 1 - October 31 November 1 - May 31	\$ 2.82 \$ 2.32	Metered Water Consumption	\$ 2.51
2003 <sup>1</sup>	\$ 4.25	June 1 - October 31 November 1 - May 31	\$ 3.27 \$ 2.67	Metered Water Consumption	\$ 2.91
2004	\$ 4.25	June 1 - October 31 November 1 - May 31	\$ 3.45 \$ 2.85	Metered Water Consumption	\$ 3.74
2005 and 2006	\$ 4.38	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 Over 6,000  Multi-family and Non-Residential: All Metered Consumption	\$ 3.06 \$ 3.67 \$ 6.56  \$ 3.90	Metered Water Consumption	\$ 3.74
2007	\$ 4.82	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 Over 6,000  Multi-family and Non-Residential: All Metered Consumption	\$ 3.37 \$ 4.04 \$ 7.22  \$ 4.29	Metered Water Consumption	\$ 4.11
2008	\$ 5.11	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 Over 6,000  Multi-family and Non-Residential: All Metered Consumption	\$ 3.62 \$ 5.43 \$ 9.67  \$ 5.33	Metered Water Consumption	\$ 5.41
2009	\$ 5.27	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 Over 6,000  Multi-family and Non-Residential: All Metered Consumption	\$ 3.86 \$ 6.10 \$ 10.90  \$ 6.04	Metered Water Consumption	\$ 7.00
2010	\$ 6.15  Varies with Meter Size	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 6,001-9,000 Over 9,000  Multi-family and Non-Residential: All Metered Consumption	\$ 3.32 \$ 6.64 \$ 9.96 \$ 13.28  \$ 6.19	Metered Water Consumption	\$ 7.21
2011	\$ 6.15  Varies with Meter Size	Single-family Residential and all Irrigation: 0-3,000 3,001-6,000 6,001-9,000 Over 9,000  Multi-family and Non-Residential: All Metered Consumption	\$ 3.31 \$ 6.62 \$ 9.93 \$ 13.24  \$ 6.19	Metered Water Consumption	\$ 7.21
<sup>1</sup> Drought, declaration of emergency - water rates set at \$7.48 per 1,000 gallons, effective 10/17/2002 - 01/27/2003					

## Revenue Capacity (continued)

Albemarle County Service Authority  
 Top 10 Revenue Payers  
 Current Year and Nine Years Ago

**Table 5**

Customer	Fiscal Year 2011			Fiscal Year 2002		
	Water Billed (in gallons)	Rank	Percent of Total Water Sales	Water Billed (in gallons)	Rank	Percent of Total Water Sales
County of Albemarle	25,948,500	1	1.64%	-	-	-
Joint Security Complex	22,058,000	2	1.39%	20,765,000	6	1.22%
Southwood Mobile Homes	21,644,000	3	1.36%	31,113,000	1	1.83%
Abbingtton Crossing (Squire Hill)	20,441,500	4	1.29%	20,781,400	5	1.23%
Four Seasons Apartments	20,305,500	5	1.28%	21,210,400	4	1.25%
University of Virginia	19,553,300	6	1.23%	-	-	-
Trophy Chase Apartments	17,279,678	7	1.09%	-	-	-
Turtle Creek Apartments	16,865,600	8	1.06%	21,781,400	3	1.28%
Old Salem Apartments	15,941,100	9	1.00%	17,164,000	8	1.01%
Trinity Mission (Eldercare Gardens)	14,819,000	10	0.93%	-	-	-
Farmington, Inc.	-	-	-	28,951,800	2	1.71%
Westgate Apartments	-	-	-	18,846,000	7	1.11%
Marriott "The Colonnades"	-	-	-	15,702,600	9	0.93%
Doubletree	-	-	-	9,809,000	10	0.58%
	<u>194,856,178</u>		<u>12.27%</u>	<u>206,124,600</u>		<u>12.15%</u>
Total water sales:	1,586,657,037			1,695,600,000		

Customer	Fiscal Year 2011			Fiscal Year 2002		
	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales	Sewer Billed (in gallons)	Rank	Percent of Total Sewer Sales
Joint Security Complex	22,058,000	1	1.71%	20,765,000	4	1.69%
Abbingtton Crossing (Squire Hill)	20,441,500	2	1.58%	20,781,400	3	1.69%
Four Seasons Apartments	20,305,500	3	1.57%	21,210,400	2	1.73%
University of Virginia	18,249,900	4	1.41%	-	-	-
Trophy Chase Apartments	17,279,678	5	1.34%	-	-	-
Turtle Creek Apartments	16,865,600	6	1.31%	21,781,300	1	1.78%
Old Salem Apartments	15,941,100	7	1.23%	17,164,000	6	1.40%
County of Albemarle	15,119,100	8	1.17%	-	-	-
Trinity Mission (Eldercare Gardens)	14,819,000	9	1.15%	12,030,000	8	0.98%
Southwood Mobile Homes	12,265,413	10	0.95%	-	-	-
Westgate Apartments	-	-	-	18,015,700	5	1.47%
Marriott "The Colonnades"	-	-	-	12,799,142	7	1.04%
Double Tree	-	-	-	9,809,000	9	0.80%
Boar's Head Inn	-	-	-	8,844,100	10	0.72%
	<u>173,344,791</u>		<u>13.42%</u>	<u>163,200,042</u>		<u>13.30%</u>
Total sewer sales:	1,291,855,139			1,226,096,000		

Source: Authority billing records

## Debt Capacity

### Albemarle County Service Authority

#### Outstanding Debt per Connection, per Capita, and Debt per Capita as a percentage of Income per Capita Last Ten Fiscal Years

**Table 6**

Fiscal Year	Outstanding Debt	Number of <sup>1</sup> Connections	Debt per Connection (3) = (1)/(2)	Estimated <sup>2</sup> Population Served (4) = (2) * 2.5	Debt per Capita (5) = (1)/(4)	Income <sup>3</sup> per Capita	Debt per Capita as a % of Income per Capita (7) = (5)/(6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2002	310,000	13,800	22.46	34,500	8.99	33,013	0.0272%
2003	0	14,304	0.00	35,760	0.00	33,973	0.0000%
2004	2,691,100	14,684	183.27	36,710	73.31	35,698	0.2054%
2005	2,333,600	15,187	153.66	37,968	61.46	37,552	0.1637%
2006	1,981,900	15,685	126.36	39,213	50.54	41,709	0.1212%
2007	1,514,900	16,098	94.10	40,245	37.64	42,919	0.0877%
2008	1,051,400	16,466	63.85	41,165	25.54	45,275	0.0564%
2009	709,200	16,670	42.54	41,675	17.02	46,969	0.0362%
2010	364,100	16,974	21.45	42,435	8.58	46,969 *	0.0183%
2011	10,357,000	17,207	601.91	43,018	240.76	\$46,163	0.5215%

<sup>1</sup> Connections from Table 14

<sup>2</sup> The Virginia Department of Health estimates 2.5 residents per connection; this number is used in lieu of the population data in Table 10 which is representative of the entire county.

<sup>3</sup> Per capita income data from Table 10 (Source: U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area)

\* Assumed that 2010 income per capita was the same as 2009 income per capita

### Albemarle County Service Authority Debt Limitations

**Table 7**

The Authority is not subject to legal debt computation.

### Albemarle County Service Authority Direct and Overlapping Debt

**Table 8**

The Authority has not issued any debt which is overlapping with other jurisdictions during the last ten fiscal years.

## Debt Capacity (continued)

Albemarle County Service Authority  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

**Table 9**

Fiscal Year	Gross Revenue	Direct Operating Expense <sup>1</sup>	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2002	9,019,808	7,990,365	1,029,443	310,000	207,600	517,600	1.99
2003	<sup>2</sup> 14,998,867	9,730,111	5,268,756	0	146,981	146,981	35.85
2004	14,339,922	11,268,843	3,071,079	0	75,351	75,351	40.76
2005	20,966,694	12,124,676	8,842,018	351,700	66,324	418,024	21.15
2006	18,154,020	12,971,229	5,182,791	467,000	53,517	520,517	9.96
2007	21,068,559	14,249,556	6,819,004	463,500	45,938	509,438	13.39
2008	22,877,727	14,631,298	8,246,428	342,200	34,658	376,858	21.88
2009	24,873,557	15,805,202	9,068,354	345,100	25,036	370,136	24.50
2010	26,514,137	17,793,440	8,720,697	357,500	15,200	372,700	23.40
2011	25,724,589	17,343,532	8,381,058	364,100	295,636	659,736	12.70

<sup>1</sup> Excluding depreciation and amortization

<sup>2</sup> Beginning in FY 2003, availability and system development fees for new services formerly classified as contributions on the balance sheet were reclassified as capital contributions in the statement of revenues, expenses, and changes in net assets; this change was made in conformance with the requirements of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

## Demographic and Economic Information

Albemarle County Service Authority  
 County Demographic and Economic Statistics  
 Last Ten Calendar Years

**Table 10**

Calendar Year	Population (1)	Personal Income (2)	Per Capita Income (2)	Per Capita Income as Percent (%) of U.S. Average (2)	School Enrollment (3)	Unemployment Rate (4)
2001	80,487	\$4,278,750,000	\$32,505	111	12,237	1.7
2002	80,841	\$4,334,369,000	\$33,013	110	12,140	2.2
2003	84,186	\$4,544,173,000	\$33,973	113	12,251	2.9
2004	87,670	\$4,901,470,000	\$35,698	114	12,356	2.2
2005	88,726	\$5,231,947,000	\$37,552	115	12,378	2.3
2006	92,035	\$5,554,915,000	\$41,709	114	12,766	2.5
2007	93,117	\$5,337,131,100	\$42,919	111	12,803	2.2
2008	94,075	\$6,059,782,000	\$45,275	117	12,830	3.0
2009	96,247	\$6,383,281,000	\$46,969	111	13,035	5.1
2010	99,150	\$6,330,202,000	\$46,193	116	13,222	5.1

Sources: (1) U.S. Census Bureau, Population Division, Table 1. Intercensal Estimates of Resident Population for Counties of Virginia: April 1, 2000 to July 1, 2010 (CO-EST00INT-01-51)  
 (2) U.S. Bureau of Economic Analysis, Charlottesville-Albemarle Area  
 (3) County of Albemarle, Department of Education  
 (4) Virginia Employment Commission, Economic Information Services Division

## Demographic and Economic Information (continued)

### Albemarle County Service Authority Ten Largest Employers (Albemarle County) Current Year and Nine Years Ago

**Table 11**

<u>Employer</u>	<u>Product/Service</u>	(1) Estimated Employment in 2011	Rank in 2011	(1) Estimated Employment in 2002	Rank in 2002
University of Virginia	Higher education	1,000 - over	1	1,000 - over	1
County of Albemarle	Local government	1,000 - over	2	1,000 - over	2
UVa Health Services Foundation	Health care	1,000 - over	3	500 - 999	4
State Farm Mutual Automobile Insurance	Insurance services	1,000 - over	4	1,000 - over	3
Northrop Grumman Corp.	Computer & electronics manufacturing	500 - 999	5	500 - 999	-
U.S. Department of Defense	National security	500 - 999	6	500 - 999	-
Wal-Mart	Department stores	250 - 499	7	250 - 499	-
Piedmont Community College	Higher education	250 - 499	8	250 - 499	8
State Farm Fire and Casualty Insurance	Insurance service	250 - 499	9	250 - 499	10
Crutchfield Corporation	Electronic retailer	250 - 499	10	-	7
SP Marine, Inc.	Computer & electronics manufacturing	-	-	500 - 999	5
GE Fanuc	Computer & electronics manufacturing	-	-	500 - 999	6
FIC Staff Services	Administration & support services	-	-	500 - 999	9

Sources: Virginia Employment Commission, Virginia Information Services Division

(1) Actual number of employees not available

## Operating Information

### Albemarle County Service Authority Full-Time Employees Last Ten Fiscal Years

**Table 12**

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Administration Department	4	4	4	6	6	6	8	8	8	9
Finance Department <sup>1</sup>	11	11	11	11	11	13	13	14	14	14
Engineering Department	12	12	13	13	13	15	15	15	15	15
Maintenance Department	23	23	23	23	23	25	28	30	30	30
Total	50	50	53	53	53	59	64	67	67	68

<sup>1</sup>Includes meter reading

### Albemarle County Service Authority Operating Indicators Last Ten Fiscal Years

**Table 13**

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
New connections	390	504	380	503	498	413	368	204	304	244
Water meters read <sup>1</sup>	165,600	171,648	176,208	187,757	192,974	195,020	202,192	204,587	210,320	212,916
Service orders processed <sup>2</sup>	n/a	n/a	n/a	n/a	9,307	9,503	11,011	10,618	11,208	9,909
Water main breaks	15	12	13	13	7	18	20	8	13	15
Sewer overflows	2	4	5	1	4	10	6	6	4	10
Sewer blockages	n/a	n/a	n/a	n/a	n/a	n/a	35	11	5	5

n/a = not available

<sup>1</sup>Number of meters read for billings.

<sup>2</sup>Includes new service requests, requests for disconnection, meter installations & exchanges, investigations, and miscellaneous customer requests.

## Operating Information (continued)

### Albemarle County Service Authority Capital Asset Statistics Last Ten Fiscal Years

**Table 14**

Capital Asset Statistics	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of Water Connections:	13,800	14,304	14,684	15,187	15,685	16,098	16,466	16,670	16,974	17,207
Number of Sewer Connections:	10,839	11,326	11,694	12,260	12,697	13,112	13,474	13,671	13,972	14,202
Miles of water lines:	279	284	294	304.2	317.18	318.66	328.63	341.33	336.39 <sup>2</sup>	339.59
Miles of sewer lines:	193	200	204	219.3	237.59	231.11 <sup>1</sup>	239.86	244.49	243.46	246.75
Fire hydrants:	1,800	1,955	2,016	2,016	2,054	2,193	2,260	2,370	2,149 <sup>3</sup>	2,167
Water pumping stations:	8	8	8	9	9	11	11	11	11	11
Sewer pumping stations:	11	11	11	11	11	11	11	11	11	11
Water storage tanks:	6	6	6	7	7	8	8	8	8	9

<sup>1</sup> Sewer rehabilitation

<sup>2</sup> Improved and/or abandoned water lines

<sup>3</sup> System improvements and/or abandoned fire hydrants

**Operating Information (continued)**

**Albemarle County Service Authority  
Revenues by Source  
Last Ten Fiscal Years**

**Table 15**

<b>Fiscal Year</b>	<b>Service Charges</b>	<b>Connection Charges</b>	<b>Rental Income</b>	<b>Interest Earnings</b>	<b>Other</b>	<b>Total</b>
2002	\$ 8,091,460	\$ 147,450	\$ 117,706	\$ 395,775	\$ 267,417	\$ 9,019,807
2003	\$ 9,399,696	\$ 129,884	\$ 119,818	\$ 306,223	\$ 257,838	\$ 10,213,458
2004	\$ 9,619,047	\$ 169,585	\$ 121,844	\$ 29,310	\$ 290,877	\$ 10,230,662
2005	\$ 10,864,722	\$ 185,829	\$ 48,590	\$ 237,438	\$ 372,125	\$ 11,708,703
2006	\$ 12,083,954	\$ 178,510	\$ 62,749	\$ 251,877	\$ 475,452	\$ 13,052,541
2007	\$ 14,023,928	\$ 235,339	\$ 58,839	\$ 436,257	\$ 420,634	\$ 15,174,996
2008	\$ 15,902,915	\$ 184,056	\$ 44,713	\$ 633,377	\$ 478,430	\$ 17,243,490
2009	\$ 18,797,289	\$ 167,218	\$ 39,972	\$ 220,234	\$ 523,987	\$ 19,748,700
2010	\$ 19,088,212	\$ 91,726	\$ 39,972	\$ 219,634	\$ 491,010	\$ 19,930,554
2011	\$ 20,203,499	\$ 69,869	\$ 39,972	\$ 52,937	\$ 742,599	\$ 21,108,876

**Albemarle County Service Authority  
Expenses by Function  
Last Ten Fiscal Years**

**Table 16**

<b>Fiscal Year</b>	<b>Water &amp; Sewer Costs</b>	<b>Departmental Operation Expenses</b>	<b>Bond Interest Charges</b>	<b>Depreciation</b>	<b>Other</b>	<b>Total</b>
2002	\$ 5,016,910	\$ 2,973,455	\$ 207,600	\$ 1,547,758	\$ 9,574	\$ 9,755,297
2003	\$ 6,241,488	\$ 3,488,623	\$ 146,981	\$ 1,584,432	\$ 68,008	\$ 11,529,532
2004	\$ 7,523,551	\$ 3,626,285	\$ 75,351	\$ 1,667,929	\$ 43,656	\$ 12,936,772
2005	\$ 8,176,468	\$ 3,948,208	\$ 66,324	\$ 1,600,238	\$ 126,884	\$ 13,918,122
2006	\$ 8,854,981	\$ 4,116,248	\$ 53,517	\$ 1,861,723	\$ 84,722	\$ 14,971,191
2007	\$ 9,831,896	\$ 4,417,661	\$ 40,531	\$ 1,983,604	\$ 70,550	\$ 16,344,242
2008	\$ 9,692,393	\$ 4,938,905	\$ 30,666	\$ 2,153,004	\$ 72,542	\$ 16,887,511
2009	\$ 10,315,905	\$ 5,489,297	\$ 21,010	\$ 2,275,108	\$ 52,131	\$ 18,153,451
2010	\$ 12,149,203	\$ 5,644,236	\$ 11,029	\$ 2,382,631	\$ 70,116	\$ 20,257,215
2011	\$ 11,560,006	\$ 5,783,526	\$ 295,636	\$ 2,469,557	\$ 995,398	\$ 21,104,123

## Operating Information (continued)

Albemarle County Service Authority  
 Schedule of Insurance in Force  
 June 30, 2011

**Table 17**

Insurer	Type of Coverage	Policy Number	Policy Period		Annual Premium
			From	To	
VACo	General Business Policy: Auto General Liability Property Excess Liability & Crime	VA-AL-004A-12	7/1/2010	6/30/2011	\$47,156
Travelers	Boiler & Machinery	BME-3668A824-TIL	7/1/2010	6/30/2011	\$901
VACo	Public Officials' Liability	VA-AL-004A-12	7/1/2010	6/30/2011	\$5,902
Virginia Municipal Group Self Insurance Association	Workers' Compensation	107	7/1/2010	6/30/2011	\$36,906

Albemarle County Service Authority  
 Billed Services and Connections  
 Last Ten Fiscal Years

**Table 18**

Fiscal Year	Water Connections	Water (Billions of gallons)	Consumption		
			Ratio Water/Sewer	Sewer (Billions of gallons)	
					Sewer Connections
2002	13,800	1.70	1.4	1.23	10,839
2003	14,304	1.45	1.3	1.10	11,326
2004	14,684	1.47	1.3	1.15	11,694
2005	15,187	1.54	1.3	1.22	12,260
2006	15,685	1.64	1.3	1.29	12,697
2007	16,098	1.71	1.3	1.36	13,112
2008	16,466	1.54	1.2	1.30	13,474
2009	16,670	1.55	1.3	1.24	13,671
2010	16,974	1.51	1.2	1.24	13,972
2011	17,207	1.59	1.2	1.29	14,202

Operating Information (continued)

**Albemarle County Service Authority  
Construction Activity, Property Value, and Cash Equivalents  
Last Ten Fiscal Years**

**Table 19**

<b>Fiscal Year</b>	<b>Construction</b>	<b>Property Value</b>	<b>Cash &amp; Cash Equivalents</b>
2002	\$ 1,766,289	\$ 60,267,759	\$ 1,314,036
2003	\$ 1,447,449	\$ 63,341,335	\$ 2,069,958
2004	\$ 173,456	\$ 63,867,874	\$ 8,659,515
2005	\$ 1,180,133	\$ 71,877,448	\$ 4,724,948
2006	\$ 1,266,241	\$ 73,909,843	\$ 8,260,750
2007	\$ 1,667,991	\$ 79,285,437	\$ 7,536,191
2008	\$ 4,626,055	\$ 82,043,522	\$ 6,312,069
2009	\$ 9,699,696	\$ 83,203,674	\$ 6,826,193
2010	\$ 5,487,584	\$ 91,067,539	\$ 15,581,693
2011	\$ 11,194,733	\$ 90,835,523	\$ 25,654,899

## **COMPLIANCE SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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To The Honorable Members of  
Albemarle County Service Authority  
Charlottesville, Virginia

We have audited the financial statements of the business-type activities of Albemarle County Service Authority as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered Albemarle County Service Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albemarle County Service Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Albemarle County Service Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albemarle County Service Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Albemarle County Service Authority in a separate letter dated December 15, 2011.

This report is intended solely for the information and use of the Board of Directors, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Tamra, Cox Associates*

Charlottesville, Virginia  
December 15, 2011

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## Our Vision

*Conserve today, sustain tomorrow, and protect water and environmental resources forever.*

## Our Mission

*With pride and dedication, we serve our customers by providing clean, safe water, exemplary wastewater services, and fire protection systems.*

*Together with our community partners, we maintain and improve our infrastructure in a timely, cooperative, and financially responsible manner.*

## Our Guiding Principles

*Value Honesty and Integrity*

*Maintain the Public Trust*

*Provide Responsive Customer Service*

*Recognize Pride and Dedication*

*Promote Professional Excellence*

*Foster Mutual Respect and Open Communication*

*Ensure a Safe Working Environment*

*Practice Strategic Foresight and Fiscal Responsibility*

*Collaborate fully with our Community Partners*

*Commit to Conservation and Environmental Stewardship*